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 your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000, as amended, (the "**FSMA**") who specialises in advising on the acquisition of shares and other securities if you are resident in the United Kingdom or, if not, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing, of Arecor Therapeutics plc (the "**Company**"). This document does not constitute an offer or any part of any offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise and has not been drawn up in accordance with the Prospectus Regulation Rules and has not been nor will it be filed with or approved by the Financial Conduct Authority ("**FCA**") or any other competent authority.

Application has been made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM at 8.00 a.m. on 3 June 2021. The Ordinary Shares are not dealt in on any other recognised investment exchange and no application has been, or is intended to be, made for the Ordinary Shares to be admitted to trading on any other such 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 FCA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a Nominated Adviser. The Nominated Adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Company and the Directors, whose names and functions appear on page 12 of this document, accept responsibility for the information contained in this document and for compliance with AIM Rules for Companies. To the best of the knowledge of the Company and the Directors (each of whom has 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.

The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled "Risk Factors", which describes certain risks associated with an investment in the Ordinary Shares.

Arecor Therapeutics plc

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 13331147)

Placing of 8,849,558 Ordinary Shares at 226 pence per Ordinary Share

Admission of the Enlarged Share Capital to trading on AIM

Panmure Gordon

AND COMPANY

Nominated Adviser and Sole Broker

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 3 June 2021 (or such later date as the Company and Panmure Gordon (UK) Limited ("**Panmure Gordon**") may agree, being not later than 24 June 2021). All of the Ordinary Shares, including the Placing Shares and the Conversion Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission.

Panmure Gordon, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company as Nominated Adviser, financial adviser and Broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Panmure Gordon or advising any other person in connection with the Placing and Admission. Panmure Gordon's responsibilities as the Company's Nominated Adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to the London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or subsequently acquire Ordinary Shares in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Panmure Gordon by the FSMA or the regulatory regime established under it, Panmure Gordon does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Panmure Gordon with respect to the accuracy or completeness of this document or any part of it and no responsibility or liability whatsoever is accepted

by Panmure Gordon for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1993, an amended (the "**Securities Act**"), nor under the applicable securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States or any province or territory of Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, unless a relevant exemption from such requirements is available, the Ordinary Shares may not be offered, sold, taken up, re-sold, transferred or delivered, directly or indirectly into or within the United States, Canada, Australia, the Republic of South Africa, Japan or to any resident of the United States, Canada, Australia, the Republic of South Africa or Japan. There will be no public offer of securities in the United States. The distribution of this document in other 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 law of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Ordinary Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of overseas shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

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 registered office of the Company one month from the date of this document. This document is also available on the Company's website, www.arecor.com.

Dated: 26 May 2021

IMPORTANT INFORMATION

This document should be read in its entirety before making any decision to subscribe for or purchase Placing Shares. Prospective investors 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, Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under applicable laws and the AIM Rules for Companies, 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 or the Group 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, Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under FSMA if you are in the United Kingdom, or, if you are outside the United Kingdom, from another appropriately authorised independent adviser.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or any other person, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person, regarding the Placing, the Company and/or its subsidiaries. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document, by means of a supplement to it, if a significant new factor that may affect the evaluation of the Placing by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document, and any supplement thereto, will be made public in accordance with the AIM Rules for Companies.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, by the Company, the Directors, Panmure Gordon or any of their respective representatives, that any recipient of this document should subscribe for any of the Ordinary Shares. Prior to making any decision as to whether to subscribe for any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "*Risk Factors*".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA-authorised or other appropriate advisers) of the Company and the terms of this document, including the risks involved. Any decision to subscribe for Ordinary Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA-authorised or other appropriate advisers') examination of the Company.

Investors who subscribe for Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Panmure Gordon or any person affiliated with it in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors or Panmure Gordon.

None of the Company, the Directors, Panmure Gordon or any of their respective representatives makes any representation to any subscriber of Placing Shares regarding the legality of an investment by such subscriber.

In connection with the Placing, Panmure Gordon and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and 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 offered, subscribed, purchased, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, purchase, acquisition, dealing or placing by, Panmure Gordon or any of its affiliates acting as investors for their own accounts. Panmure Gordon does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Panmure Gordon and any of its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory or other services to, the Company, for which they would have received customary fees. Panmure Gordon and any of its affiliates may provide such services to the Company and any of its affiliates in the future.

Notice to prospective investors in the United Kingdom

No Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in the United Kingdom prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the FCA, or in accordance with the Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

(1) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or

(3) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Ordinary Shares shall require the Company or any other person to publish a prospectus pursuant to Article 23 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the Prospectus Regulation.

Neither the Company nor Panmure Gordon has authorised, nor does either of them authorise, the making of any offer of Ordinary Shares in circumstances in which an obligation arises for the Company or Panmure Gordon to publish a prospectus or a supplemental prospectus in the United Kingdom in respect of such offer.

For the purposes of this provision, the expression "an offer to the public" in relation to any offer of Ordinary Shares in the United Kingdom means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 as applied in the United Kingdom under the European Union (Withdrawal) Act 2018 (as amended).

In addition, this document is being distributed in the United Kingdom where it is directed only at (i) persons who are having professional experience in matters relating to investments i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**FPO**"); and/or (ii) high net worth entities falling within Article 49 of the FPO; and/or (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, under no circumstances should persons of any other description rely on or act upon the contents of this document.

Notice to prospective investors in the EEA

In relation to each member state of the EEA other than the United Kingdom (each, a "**Member State**"), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State, or in accordance with the EU Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

(1) to any legal entity which is a qualified investor as defined in Article 2(e) of the EU Prospectus Regulation;

(2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or

(3) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Ordinary Shares shall require the Company or any other person to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(e) of the EU Prospectus Regulation.

Neither the Company nor Panmure Gordon has authorised, nor does either of them authorise, the making of any offer of Ordinary Shares in circumstances in which an obligation arises for the Company or Panmure Gordon to publish a prospectus or a supplemental prospectus in respect of such offer.

For the purposes of this provision, the expression "**an offer to the public**" in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for those Ordinary Shares, and the expression "**EU Prospectus Regulation**" means the Regulation (EU) 2017/1129.

Notice to prospective investors in the United States

The Ordinary Shares have not been and will not be registered under the US Securities Act nor under any applicable securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States and may not, be offered, sold, taken up, re-sold, transferred or delivered, directly or indirectly into or within the United States absent registration under the Securities Act or an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Ordinary Shares are being sold (i) outside of the United States in "offshore transactions" in reliance on and in accordance with Regulation S under the Securities Act, and (ii) in the United States to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act). There will be no public offer of the Ordinary Shares in the United States.

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

The enforcement by investors of civil liabilities under the United States federal securities laws may be adversely affected by the fact that the Company is incorporated under the laws of England and Wales, and that most of its Directors or officers are citizens or residents of the United States. In addition, the majority of its assets and the assets of its Directors and officers are located outside the United States. As a result, it may not be possible for investors in the United States to effect service of process within the United States upon the Company or its Directors and officers located outside the United States or to enforce in the US courts or outside the United States judgements obtained against them in US courts or in courts outside the United States, including judgement predicated upon the civil liability provisions of the federal, state or local securities laws of the United States. There is doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of US courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

Notice to prospective investors in Hong Kong

This Admission Document may not be used for the purpose of, and does not constitute an offer or invitation, to the public in Hong Kong (in which such an offer or invitation is not authorised) to subscribe for or purchase any of the Placing Shares or to any person to whom it is unlawful to make such an offer or invitation.

The arrangements for the issue or sale of the Placing Shares and the contents of this Admission Document have not been reviewed, authorised by or registered with any regulatory authority in Hong Kong, pursuant to section 105(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) ("CWUMPO"). Accordingly, no advertisement, invitation or document relating to the Placing Shares, whether in Hong Kong or elsewhere, shall be issued, circulated or distributed which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong). This Admission Document is confidential to the person to whom it is distributed and addressed and must not be used, shown, copied, reproduced, further issued, passed on, circulated or distributed in any other way to any other person (except if permitted to do so under the securities laws of Hong Kong). A subscription application is not invited from any person in Hong Kong other than a person to whom a numbered copy of this Admission Document has been issued and, if made, will not be accepted. Further, this Admission Document must not be issued, circulated or distributed in Hong Kong other than to professional investors (as defined in the SFO).

No person allotted the Placing Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The content and use of this Admission Document must comply with each of the following SFO and CWUMPO restrictions, namely:

(1) SFO: this Admission Document is not and does not contain, contrary to section 103 of SFO, an invitation to the public of Hong Kong to acquire, dispose of, subscribe for or underwrite the Placing Shares, other than (i) an invitation only to professional investors (as defined in SFO) to do so; or (ii) to the extent that this Admission Document is not a prospectus (as defined in the CWUMPO) by virtue of any of the maximum offeree number, maximum or minimum investment amount or other exclusions set out in the 17th Schedule to the CWUMPO ("Prospectus Exclusions"); and

(2) CWUMPO: this Admission Document must not, contrary to sections 342 and 342C of CWUMPO, be issued, circulated or distributed to any person in Hong Kong other than (i) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or (ii) to professional investors (as defined in the SFO); or (iii) in circumstances in which this Admission Document is not a prospectus (as defined in the CWUMPO) by virtue of any of the Prospectus Exclusions; or (iv) otherwise in circumstances that do not constitute an offer to the public.

The contents of this Admission Document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Forward-looking statements

Certain statements in this document are or may constitute "forward-looking statements", including statements about current beliefs and expectations of the Directors. In particular, the words "expect", "anticipate", "estimate", "may", "should", "could", "would", "plan", "project", "aim", "intend", "will", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking-statements. Such forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, the environment in which the Group will operate in the future and estimates and projections of the Group's financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or

implied by such forward-looking statements. Prospective investors are strongly recommended to read the risk factors set out in Part II of this document.

Any forward-looking statement in this document speaks only as of the date it is made. Save as required by law or regulation or the AIM Rules for Companies, the Company expressly disclaims any obligation or undertaking to disseminate any updates, or 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 Board's expectations with regard thereto or to reflect any change in events, conditions or circumstances after the date of this document, on which any such statements are based.

Any forward-looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

Presentation of historical financial information

The historical financial information of Arecor Limited for the two years ended 31 May 2019, the seven months ended 31 December 2019 and the year ended 31 December 2020 set out in Part IV of this document has been prepared in accordance with IFRS.

Arecor Limited has historically reported under UK Generally Accepted Accounting Practices ("**UK GAAP**") and has reported under IFRS for the first time for the purpose of presentation in this document. An explanation of the changes to the historical financial information on transition from UK GAAP to IFRS is presented in note 26 of the historical financial information. Arecor Limited's financial year previously ran from 1 June to 31 May. In 2019, Arecor Limited changed its accounting reference date to 31 December.

Rounding

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

Currency presentation

In this document, references to "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom, references to "$", "US$" and "dollars" are references to the lawful currency of the United States. Unless otherwise indicated, the financial information contained in this document has been expressed in sterling. The Group presents its financial statements in sterling.

Market, industry and economic data

Unless the source is otherwise identified, the market, economic and industry data and statistics in this document constitute the Company's estimates, using underlying data from third parties. The Company obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such third-party information has not been audited or independently verified.

This document includes market size, industry and forecasts that the Company has obtained from industry publications, surveys and internal company sources. The Company has obtained market and industry data relating to the Group's business from providers of industry data, including publications and data from the following sources, which includes, but not limited to:

- International diabetes federation website

- Novo Nordisk Capital Markets Day 2019 Presentation
- Research and Markets "Biologics Global Market Opportunities and Strategies to 2030: COVID-19 Impact and Recovery", February 2021
- JDRF White Paper "Letting insulin pumps for type 1 diabetes shrink in size – by perfecting concentrated insulin", July 2016
- ADA Fact Sheet, December 2020
- Diabetes UK website
- Global Market Insights report titled 'Compounding Pharmacies Market Analysis, 2021 – 2017, March 2021
- Research and Markets, "Biosimilars Market by Product, Manufacturing, Indication & Region – Global Forecast to 2025", April 2020
- IMARC Group report titled "Vaccine Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025, December 2020
- PharmaIntelligence report, Top 10 Best-Selling Drugs of 2019, published in 2020

Market and industry data are inherently predictive and speculative and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and

(iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information as listed above and have not authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by those sources stated for the accuracy or completeness of any market data attributed to them which is included in this document.

No incorporation of website information

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

Notice to Distributors

Solely for the purposes of the product governance requirements contained within the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Rules**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Rules) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties each as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"); and (ii) eligible for distribution through all distribution channels as are permitted by the UK Product Governance Rules (the "**UK Target Market Assessment**").

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional

clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**EU Target Market Assessment**").

Notwithstanding the UK Target Market Assessment and the EU Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Each of the UK Target Market Assessment and the EU Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment and the EU Target Market Assessment, Panmure Gordon will only procure investors who meet the criteria of professional clients and eligible counterparties each as defined under COBS or MiFID II, as applicable. For the avoidance of doubt, each of the UK Target Market Assessment and the EU Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of COBS or MiFID II, as applicable; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

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EXPECTED TIMETABLE FOR THE PLACING AND ADMISSION

Publication of Admission Document	26 May 2021
Issue of the Conversion Shares and EIS/VCT Placing Shares	2 June 2021
Issue of the General Placing Shares	3 June 2021
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 3 June 2021
Expected date for CREST accounts to be credited	8.00 a.m. on 3 June 2021
Despatch of definitive share certificates in respect of the Existing Ordinary Shares and the Placing Shares to be held in certificated form	by 17 June 2021

Each of the times and dates in the above timetable are subject to change without further notice. All times are UK times unless otherwise stated.

PLACING STATISTICS

Placing Price	226 pence
Number of Existing Ordinary Shares	16,668,066
Number of Placing Shares to be issued by the Company pursuant to the Placing	8,849,558
Number of EIS/VCT Placing Shares to be issued by the Company pursuant to the EIS/VCT Placing	3,716,814
Number of General Placing Shares to be issued by the Company pursuant to the General Placing	5,132,744
Number of Conversion Shares to be issued pursuant to the Convertible Loan Note Conversion	2,165,908
Number of Ordinary Shares in issue following Admission	27,683,532
Percentage of Enlarged Share Capital represented by Placing Shares	31.97 per cent.
Gross proceeds of the Placing receivable by the Group	£20.00 million
Estimated net proceeds of the Placing receivable by the Group	£18.26 million
Estimated market capitalisation, upon Admission, of the Group at the Placing Price	£62.56 million
TIDM	AREC.L
ISIN	GB00BMWLM973
SEDOL	BMWLM97
LEI	98450093D12I3A8DDD58

DIRECTORS, OFFICERS AND ADVISERS

Directors	Dr Andrew Richards, *Non-Executive Chairman* Dr Sarah Howell, *Chief Executive Officer* Susan Lowther, *Chief Financial Officer* Dr Mohammad ("Sam") Fazeli, *Independent Non-Executive Director* Jeremy Morgan, *Independent Non-Executive Director* Dr Alan Smith, *Non-Executive Director* Christine Soden, *Independent Non-Executive Director*
Company Secretary	Susan Lowther
Registered Office and Principal Place of Business	Arecor Therapeutics plc Chesterford Research Park Little Chesterford Saffron Walden CB10 1XL
Financial Adviser, Nominated Adviser and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Reporting Accountants to the Company	Grant Thornton UK LLP Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Lawyers to the Company	Covington & Burling LLP 265 Strand London WC2R 1BH
Lawyers to the Nominated Adviser	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
Patent Attorney	Sagittarius Intellectual Property LLP Marlow International Parkway Marlow SL7 1YL
Financial PR	Consilium Strategic Communications 41 Lothbury London EC2R 7HG
Registrar	Computershare Investor Services plc The Pavillions Bridgwater Road Bristol BS13 8AE
Auditors to Arecor Limited	Lakin Rose Limited Pioneer House Vision Park, Histon Cambridge CB24 9NL

DEFINITIONS

"**Act**" or "**Companies Act**"	the Companies Act 2006, as amended
"**Admission**"	the admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"**Admission Document**"	this document
"**AESOP**"	Arecor's All-Employee Share Option Plan, summary details of which are set out in paragraph 9.8 of Part VI of this document
"**AIM**"	a market of that name operated by the London Stock Exchange
"**AIM Rules**"	the AIM Rules for Companies and AIM Rules for Nominated Advisers, as appropriate
"**AIM Rules for Companies**"	the rules for AIM companies published by the London Stock Exchange
"**AIM Rules for Nominated Advisers**"	the rules for nominated advisers to AIM companies published by the London Stock Exchange
"**Arecor**" or "**Company**"	Arecor Therapeutics plc, a public limited company incorporated in England and Wales with a registered number 13331147
"**Arecor Limited**"	the Company's wholly owned subsidiary following the Reorganisation
"**Arecor Optionholders**"	persons holding options over ordinary shares of £0.01 each in the share capital of Arecor Limited
"**Articles**"	the articles of association of the Company to be adopted on 2 June 2021, a summary of which is set out in paragraph 3.1 of Part VI of this document
"**Audit and Risk Committee**"	the audit and risk committee of the Board
"**certificated**" or "**certificated form**"	is the description of a share or other security which is not in un-certificated form (that is not in CREST)
"**Conversion Shares**"	the 2,165,908 C ordinary shares of £0.01 each in the capital of the Company to be issued immediately prior to the re-designation step of the Reorganisation described in paragraph 2.2.3(c) of Part VI of this document, arising from the conversion of the Convertible Loan Notes, as described in paragraph 2.2.4 of Part VI of this document, which will be re-designated as 2,165,908 Ordinary Shares prior to Admission
"**Convertible Loan Notes**"	the convertible loan notes issued by the Company on 24 May 2021 for the principal amount of £4,405,474
"**Convertible Loan Note Instruments**" or "**CLN**"	the convertible loan note instruments adopted by the Company on 24 May 2021, constituting the Convertible Loan Notes
"**CREST**"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations 2001)

"**CREST Regulations**"	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
"**Deed of Amendment of the Investment Agreement**"	the deed of amendment between the Company, Arecor Limited, Sarah Howell, Andrew Richards, Jan Jezek and all the shareholders of Arecor Limited (prior to the Share and CLN Exchange) dated 24 May 2021 which amends the Investment Agreement, summary details of which are set out in paragraph 11.1.5 of Part VI of this document
"**Directors**" or "**Board**"	the directors of the Company, whose names are set out on page 12 of this document
"**Directors' Lock-up Period**"	the period of 12 months from the date of Admission in which the Directors have agreed not to dispose of any interest in Ordinary Shares owned by them or persons connected to them
"**EEA**"	the European Economic Area, together being the EU, Iceland, Liechtenstein and Norway
"**EIS**"	Enterprise Investment Scheme
"**EIS Legislation**"	Part 5 of the Income Tax Act 2007 and any provisions of UK law referred to therein
"**EIS Relief**"	relief from UK tax under the EIS
"**EIS/VCT Placing**"	the conditional placing of the EIS/VCT Placing Shares by Panmure Gordon pursuant to the Placing Agreement
"**EIS Shares**"	the EIS/VCT Placing Shares to be issued to EIS investors as part of the EIS/VCT Placing
"**EIS/VCT Placing Shares**"	the 3,716,814 new Ordinary Shares to be issued and allotted at the Placing Price at the time of the first tranche of the Placing to certain Placees
"**EMI**"	Enterprise Management Incentive
"**Enlarged Share Capital**"	the entire share capital of the Company on Admission as enlarged by the issue of the Conversion Shares and the Placing Shares;
"**EU**" or "**European Union**"	has the meaning given to it in Article 299(1) of the Establishing the European Economic Community Treaty as amended by, among others, the Treaty on European Unity (the Maastricht Treaty), the Treaty of Amsterdam and the Treaty of Lisbon
"**Euroclear UK & Ireland**"	Euroclear UK & Ireland Limited
"**Executive Directors**"	the executive directors of the Company as at the date of this document, namely Sarah Howell and Susan Lowther
"**Existing Ordinary Shares**"	the 16,668,066 Ordinary Shares in issue as of the date of this document
"**FCA**"	the Financial Conduct Authority

"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**General Placing**"	the conditional placing of the General Placing Shares by Panmure Gordon pursuant to the Placing Agreement
"**General Placing Shares**"	the 5,132,744 new Ordinary Shares to be issued and allotted at the Placing Price pursuant to the General Placing
"**Group**"	the Company and its subsidiaries
"**Hikma**"	Hikma Pharmaceuticals USA, Inc.
"**Historical Financial Information**"	the historical information of Arecor Limited for the two years ended 31 May 2019, the seven months ended 31 December 2019 and the year ended 31 December 2020, as set out in Part IV of this document
"**HMRC**"	Her Majesty's Revenue & Customs
"**IFRS**"	International Financial Reporting Standards, as adopted for use in the European Union
"**Initial AESOP Awards**"	the option awards set out in paragraph 9.5 of Part VI of this document
"**Initial LTIP Awards**"	the option awards set out in paragraph 9.4 of Part VI of this document
"**Investment Agreement**"	the investment agreement dated 3 September 2018, between Arecor Limited, all the former shareholders of Arecor Limited prior to the Share and CLN Exchange, summary details of which are set out in paragraph 11.1.6 of Part VI of this document
"**IP**"	intellectual property
"**ISIN**"	international security identification number
"**ITA**"	The Income Tax Act 2007
"**ITEPA**"	Income Tax (Earnings and Pensions) Act 2003
"**JDRF**"	Juvenile Diabetes Research Foundation
"**Lock-in Agreements**"	the lock-in deeds between the Company, Panmure Gordon and certain shareholders, summary details of which are set out in paragraph 6.3 of Part VI of this document
"**London Stock Exchange**"	London Stock Exchange plc
"**LTIP**"	Arecor's Long Term Incentive Plan, summary details of which are set out in paragraph 9.4 of Part VI of this document
"**MAR**"	the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation);
"**Nominated Adviser**" or "**Nomad**" or "**Panmure Gordon**"	Panmure Gordon (UK) Limited, a company incorporated in England and Wales (registered number 4915201) and having its registered office at One New Change, London EC4M 9AF

"**Nominated Adviser and Broker Agreement"**	the agreement between the Company and Panmure Gordon dated 26 May 2021 pursuant to which the Company has appointed Panmure Gordon to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies and for the purpose of making the application for Admission
"**Nomination Committee**"	the nomination committee of the Board
"**Non-executive Directors**"	the non-executive directors of the Company as at the date of this document, namely Dr Sam Fazeli, Jeremy Morgan, Dr Andrew Richards, Dr Alan Smith and Christine Soden
"**Official List**"	the Official List of the Financial Conduct Authority
"**Options**"	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraph 9 of Part VI of this document
"**Option Rollover**"	the release of Arecor Optionholders' rights in respect of unexercised options over ordinary shares of £0.01 each in the capital of Arecor Limited in consideration of the grant of options over Ordinary Shares
"**Ordinary Shares**"	ordinary shares of £0.01 each in the share capital of the Company
"**Panel**"	the UK Panel on Takeovers and Mergers
"**Placees**"	subscribers for the Placing Shares, as procured by Panmure Gordon on behalf of the Company pursuant to the Placing Agreement
"**Placing**"	the General Placing and the EIS/VCT Placing
"**Placing Agreement**"	the conditional agreement dated 26 May 2021 between the Company, the Directors and Panmure Gordon relating to the Placing, summary details of which are set out in paragraph 6.1 of Part VI of this document
"**Placing Documents**"	the pathfinder admission document, the admission document, the announcement containing details of the Placing and Admission, the intention to float announcement, the investor presentation, the contract notes and any supplementary admission document published pursuant to the terms of the Placing Agreement
"**Placing Price**"	226 pence per Placing Share
"**Placing Shares**"	the General Placing Shares and the EIS/VCT Placing Shares
"**Plan**"	the Arecor Limited EMI Share Option Plan 2018
"**Prospectus Regulation**"	Regulation (EU) 2017/1129 as applied in the United Kingdom under the European Union (Withdrawal) Act 2018 (as amended)
"**QIB**"	a "qualified institutional buyer" as defined in Rule 144A under the Securities Act
"**QCA**"	the Quoted Companies Alliance
"**QCA Code**"	The QCA corporate governance code for small and mid-sized companies published by the QCA
"**Registrar**"	Computershare Investor Services plc, a public limited company registered in England and Wales with registered number 03498808

"**Regulation D**"	Regulation D promulgated under the Securities Act;
"**Regulation S**"	Regulation S promulgated under the Securities Act;
"**Remuneration Committee**"	the remuneration committee of the Board
"**Reorganisation**"	the Share and CLN Exchange and Share Capital Reorganisation of the Company and/or Arecor Limited and all other actions taken, and documents entered into, in connection therewith or pursuant thereto, more particularly described in paragraph 2.2 of Part VI of this document
"**Resolutions**"	the shareholder resolutions, investor consents and any other shareholder approvals required in connection with the Placing and/or Admission
"**Securities Act**"	the United States Securities Act of 1933, as amended
"**Share Capital Reorganisation**"	the reorganisation of the share capital of the Company and/or Arecor Limited prior to Admission, as more particularly described in paragraph 2.2 of Part VI of this document
"**Share and CLN Exchange**"	the share and convertible loan note exchange undertaken pursuant to the Share and CLN Exchange Agreement as part of the Reorganisation
"**Share and CLN Exchange Agreement**"	the agreement entered into between all the existing shareholders of Arecor Limited, the holders of all convertible loan notes in Arecor Limited, and the Company dated 24 May 2021 as part of the Reorganisation, as more particularly described at paragraph 11.1.4 of Part VI of this document
"**Shareholder(s)**"	holder(s) of Ordinary Shares from time to time
"**Shareholder's Lock-up Period**"	the period of 12 months from the date of Admission in which certain shareholders have agreed not to dispose of any interest in Ordinary Shares (but excluding any interest in Ordinary Shares issued pursuant to the Placing) which is owned by them immediately prior to Admission
"**Takeover Code**"	the City Code on Takeovers and Mergers published by the Takeover Panel
"**Takeover Panel**"	the Panel on Takeovers and Mergers
"**Tax Advantaged Option**"	an Option granted in accordance with Schedule 4 of ITEPA
"**TIDM**"	tradable investment display mnemonic
"**uncertificated**" or "**in uncertificated form**"	a share or shares, or other securities recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST
"**Uncertificated Securities Regulations**"	the Uncertificated Securities Regulations 2001 (SI/2001/3755)
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**UK MAR**"	the UK version of MAR as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended)

"**United States**" or "**US**"	the United States of America, its territories and possessions, any state in the United States, the District of Columbia and other areas subject to its jurisdiction
"**US Person**"	has the meaning given to such term in Regulation S
"**VCT**"	a company which is, or which is seeking to become, approved as a venture capital trust under the VCT Legislation
"**VCT Legislation**"	Part 6 of the Income Tax Act 2007 and any provisions of UK law referred to therein
"**VCT Relief**"	relief from UK tax under the VCT Legislation
"**VCT Scheme**"	Venture Capital Trust Scheme under the provisions of Part 6 of the Income Tax Act 2007

GLOSSARY OF TECHNICAL TERMS

"**absorption**"	in pharmacology, it is the movement of a drug into the bloodstream
"**diabetes**"	a group of metabolic diseases in which there are high blood sugar levels over a prolonged period
"**euglycemic clamp**"	method used for quantifying insulin secretion and resistance
"**EMA**"	European Medicines Agency
"**FDA**"	the US Food and Drug Administration, a federal agency of the United States Department of Health and Human Services
"**glycaemic**"	causing glucose in the blood
"**indication**"	a symptom or disease or condition that indicates the advisability or necessity of a specific medical treatment or procedure
"**lyophilised**"	a freeze dried substance resulting in a powder. In the case of lyophilised pharmaceutical products, these are then reconstituted (diluent added to convert to a liquid) for administration
"**peptide**"	a naturally occurring biological molecule consisting principally of amino acids
"**pharmacodynamics**"	the study of the response on a living organism to a drug, including mechanism of action, duration and magnitude of the response
"**pharmacokinetics**"	the study of the distribution and movement of drugs through an organism over a period of time
"**Phase I**"	the assessment of the safety, pharmacodynamics and pharmacokinetics of a drug candidate in a small group of human subjects
"**Phase II**"	the assessment in patients of a drug to determine its safety, dose range and preliminary efficacy
"**Phase III**"	the assessment of the efficacy and safety of a drug, usually in comparison with a marketed product or a placebo, in the patient population for which it is intended
"**RTU**"	ready-to-use
"**RTA**"	ready-to-administer
"**subcutaneous**"	beneath the skin

PART I

INFORMATION ON THE COMPANY AND THE GROUP

1. Introduction

Arecor is a globally focused biopharmaceutical company that is targeting improving patient care by bringing innovative medicines to market through the enhancement of existing therapeutic products. By applying the Group's innovative proprietary formulation technology platform, Arestat™, the Group is developing an internal portfolio of proprietary products, as well as working with pharmaceutical and biotechnology companies to deliver enhanced reformulations of their partners' therapeutic products, supported by an extensive patent portfolio.

The Group is a revenue-generating commercially-focused business with the potential to derive significant future revenue from multiple existing and future partnering opportunities. The Group's strategy is to develop an internal portfolio of enhanced proprietary products to a defined value inflexion point prior to partnering with major pharmaceutical and biotechnology companies under a revenue-generating licence model with the potential for the Group to receive royalties and significant milestone payments. The Group also operates under a technology licensing arrangement when developing enhanced reformulations of its partners' products, with the potential for milestone and royalty payments.

The Group's current focus of internal proprietary product development can be divided into two product classes: diabetes and specialty hospital care. In addition, the Group also develops novel enhanced formulations of its partners' biological products that include biosimilars, biological products and vaccines, which are derived from the Group's formulation development and technology licensing programmes and are referred to as "Technology Partnerships".

Diabetes

Arecor's product portfolio for diabetes is being developed by the Group to later stage clinical development with the aim of achieving significant milestone payments and double-digit royalties upon entering into licence agreements with pharmaceutical or biotechnology companies. The portfolio currently includes novel insulin formulations to deliver an ultra-rapid acting insulin (AT247), an ultra-concentrated rapid acting insulin (AT278) and a stable co-formulation of pramlintide and insulin (AT299). Clinical studies of AT247 to date have indicated favourable characteristics compared to existing insulin products. Partnering is targeted following completion of key Phase II studies, with results of the Phase II study for AT247 expected within the next 24 months and a potential market launch from 2025.

Arecor's lead product, AT247, an ultra-rapid acting insulin, has the potential to be the best-in-class fastest acting meal-time insulin for people with Type I and Type II diabetes. The novel meal-time insulin formulation, which significantly accelerates insulin absorption post injection, should enable more effective management of blood glucose levels and has the potential to enable a fully automated artificial pancreas. By combining both accelerated absorption and faster onset of action of insulin post injection, it has pharmacokinetic and pharmacodynamic properties that more closely match the physiological insulin secretion profile of a healthy individual without diabetes, offering the potential to significantly improve blood glucose control and flexibility of insulin dosing, as well as the clinical benefits of reducing both hypoglycaemia and hyperglycaemia.

The Group's second product, AT278, is an ultra-concentrated rapid acting insulin, which has the potential to be a superior concentrated meal-time insulin. The concentrated novel formulation of rapid acting insulin has been designed both to accelerate the absorption of insulin post injection and with the potential to provide the clinical benefits of a rapid acting insulin to patients who have high daily insulin requirements through a single injection; it also has the potential to enable the use of next generation miniaturised insulin pump delivery devices. The Group's third insulin product, AT299, is a stable co-formulation of pramlintide and insulin, which has the potential to be a next generation treatment for both Type I and Type II diabetics.

Diabetes and in turn insulin, are large markets. Currently, there are estimated to be 463 million people living with diabetes worldwide, with approximately 56 million insulin users, producing a global insulin market of approximately US$21 billion. Each of the Group's insulin rapid-acting products are designed to meet a specific need targeting a significant share of a US$6.4 billion fast-acting insulin market opportunity.

Specialty Hospital Care

Arecor is also applying the Arestat™ technology to develop a number of different ready-to-use ("**RTU**") and ready-to-administer ("**RTA**") medicines that have the potential to provide a safer, more convenient and immediate treatment options, with the aim of partnering these products to generate milestone and sales-based royalty payments. Two of these programmes have already been partnered with Hikma, validating the commercial interest in this product class. Owing to the Group's strategy of reformulating existing therapeutic products, there is potential to develop these products under an expedited regulatory pathway, with the Directors estimating the potential commercial launch of one of the Hikma partnered products from 2023, with further products potentially launching between 2023 and 2025. The combined global market size of the seven specialty hospital products (including the two Hikma partnered products) currently under Arecor development is estimated to be approximately US$3.8 billion.

Technology Partnerships

Outside of the Group's diabetes and specialty hospital care product groups, Arecor deploys the Arestat™ technology platform with leading pharmaceutical and biotechnology companies under a technology licensing model with the aim of developing enhanced versions of the pharmaceutical or biotechnology company's complex biological products. These programmes typically start with a formulation development study under which Arecor attempts to develop a new formulation of the partner's drug molecule to achieve an enhanced target profile. Upon successful completion of this phase, the partner has the option to enter into a licence agreement that provides the partner with rights to further develop and commercialise the novel formulation of their proprietary product that has been developed by Arecor. The licence agreement typically involves both milestone and royalty payments.

Biological products (also known as biologics) are a significant target market, with the value of the global biologics market estimated to be approximately US$269 billion in 2019. Examples of the benefits of using Arestat™ technology to enhance their partners therapeutic products can include, but are not limited to:

- stable highly concentrated antibodies to enable convenient self-administration by a single injection;
- reformulations of lyophilised (powder) products into stable liquids to simplify administration and improve safety; and
- thermostable products that can be used outside of the cold chain, which can be particularly important for vaccines.

Arecor currently has two Technology Partnership licensing agreements in place, with the most advanced product being a novel formulation of its partner's biosimilar product. Commercial launch of this undisclosed biosimilar product is targeting a multi-billion market opportunity and the Directors' estimate launch may occur from 2023.

Reasons for Placing and Admission

The Company has conditionally raised £20.00 million by the issue of 8,849,558 Placing Shares at the Placing Price to take its internal proprietary products to higher value inflexion and to provide additional working capital and balance sheet strength. The majority of the investment will be focused on the clinical programmes in diabetes together with further investment in expanding and developing the specialty hospital products pipeline towards partnerships. The proceeds of the Placing will also be used to recruit additional staff within product development, clinical development and commercial groups.

In addition to the Group's diabetes and specialty hospital products franchises which have future significant licencing potential and those products which are already licenced with major pharmaceutical companies, the Group has a pipeline of Technology Partnerships with pharmaceutical and biotechnology companies that may result in additional licence agreements being entered into. The Directors believe that owing to the broad applicability of their technology platform, Arecor will continue to grow its pipeline and portfolio of partnered and proprietary programmes.

The Group generated revenue of £1.70 million for the 12 month period to 31 December 2020 (7 month period ended 31 December 2019: £1.10 million) and over the same period, the Group recorded a loss from operations of £3.43 million (7 month period ended 31 December 2019: £1.57 million). The Group had cash of approximately £2.90 million on 31 December 2020. Revenues to date comprise income from formulation

development studies and initial licence income. In addition, the Group received grant income of £0.45 million in 2020 (£0.34 million in the 7 months ended 31 December 2019).

2. Key Strengths

The Directors believe that Arecor's key strengths lie in the following areas:

2.1. *Existing and near-term revenue potential*

Arecor partners with major pharmaceutical and biotechnology companies under a revenue-generating technology licensing model. Arecor currently has a total of four active licensing agreements in place, where its partners have licenced the Arestat™ technology and novel formulation(s) developed, or under development by Arecor and the partners plan to take the resulting new formulated products forward in development.

Of the four partnered programmes, two are part of the Group's Specialty Hospital Care franchise and are partnered with Hikma. The Directors believe that one of the two programmes partnered with Hikma has the potential to launch from 2023, with the other programme expected to potentially launch between 2023 and 2025. Both licences with Hikma benefit the Group from potential near term associated development and commercialisation milestone payments and royalty revenue.

Arecor has two further partnered programmes within Technology Partnerships, with the most advanced product under development, a novel formulation of its partner's biosimilar product, in late phase development. Commercial launch of this undisclosed biosimilar product is targeting a multi-billion market opportunity and the Directors estimate that the product may launch from 2023, following which with the near term associated milestone payments and royalty revenue are expected to commence.

For the Group's diabetes products, partnering is targeted following completion of key Phase II studies, with results for AT247 expected within the next 24 months and its potential market launch in 2025. The Directors believe that further investment in the diabetes programmes will take the diabetes products to a significantly higher value inflexion prior to partnering, with the potential for double digit royalties on sales and significant milestone payments.

The Directors believe that owing to the broad applicability of its technology platform, Arecor will continue to grow its portfolio of partnered and proprietary programmes.

2.2. *Broad portfolio with significant addressable markets*

Arecor's initial therapeutic focus is diabetes, with three insulin-based products in development. There is a significant unmet need in treatment options for the approximately 463 million people living with diabetes worldwide, with only 21 per cent. of Type I adult patients reaching the American Diabetes Association's target for glycaemic control. There is a significant need for improved treatment options and as such, diabetes care is evolving towards more personalised treatment regimens and drug-device combinations, such as the artificial pancreas. The Directors believe that the Group's ultra-rapid acting insulin product has the potential to be best in class and are therefore well placed to capture a significant share of an approximately US$6.4 billion market.

In addition to the Group's diabetes products, the Group has a number of different RTU and RTA hospital specialty products in development. The combined global market size of these RTU and RTA drugs alone is approximately US$3.8 billion. More broadly, and as described in section 5.3, biologics, vaccines and synthetic peptides also all represent exciting growth areas for the Group through Technology Partnerships.

2.3. *Strong clinical and pre-clinical data for novel insulin formulations*

In a Phase I clinical study, AT247, an ultra-rapid acting insulin formation, clearly demonstrated faster insulin absorption with an accelerated pharmacokinetic ("**PK**") and pharmacodynamic ("**PD**") profile compared to NovoRapid® and Fiasp®, market leading rapid-acting insulins. AT247, with its favourable pharmacokinetic properties, should enable more effective management of blood glucose levels and has the potential to enable a fully automated artificial pancreas.

AT278, an ultra-concentrated rapid acting insulin formulation, is formulated at a high concentration of 500U/mL and has a pharmacokinetic and pharmacodynamic profile in a validated mammalian model that is at least equivalent to that of the currently marketed rapid acting 100 U/mL insulin aspart, with equivalent stability. AT278 entered Phase I clinical development in Type I diabetic patients in December 2020, with results expected towards the end of 2021.

2.4. ***Reduced development risk and timelines***

By developing novel formulations of existing, approved therapeutic products, the Directors believe that the majority of Arecor' proprietary and partnered specialty hospital products can be brought to market faster, and at lower risk and cost, than would be expected for standard new drug development.

There are several regulatory pathways that are of relevance to Arecor's proprietary products. Many of these are abbreviated pathways, and even when a standalone marketing application is required (such as for our insulin products in the United States) it is expected that regulators will demand fewer clinical studies because Arecor uses active ingredients whose safety and efficacy are known. Arecor's products can thus be developed in a shorter development timeline.

For the Group's diabetes programmes, the safety and efficacy of insulin is already proven and hence, there is likely a lower burden regarding clinical studies that are required for approval, even though Phase II and Phase III trials may be required to support approval in some jurisdictions, such as the United States. For the specialty hospital care products, safety and efficacy of the originator products is also proven and the Directors assume that no further clinical studies will be required before regulatory submission for marketing authorisation.

For the Technology Partnerships, Arecor is also less exposed to commercial risk since revenues are generated from the start of the programme (through paid formulation development work, with the potential for the partner to enter into a licence agreement with Arecor) and Arecor is not responsible for the ongoing costs to take the product through development and further to the market.

2.5. ***Broad applicability across growing pharmaceutical markets***

The Group partners with global pharmaceutical and biotechnology companies to apply the Arestat™ technology to their proprietary products under a technology licensing model. These products can be at any stage in development from early phase clinical development through to products that are already on the market. When partnering in this way, the Group is agnostic to therapeutic area and product type. However, the main areas of applications of the technology are novel biologicals, biosimilars, therapeutic vaccines and therapeutic peptides; there are a large number of products in development in each of these areas. The Directors believe Arecor can create value from multiple potential revenue opportunities within priority therapeutic and market segment areas.

2.6. ***Intellectual Property***

Arecor has developed extensive intellectual property protection both of its Arestat™ formulation technology and of the novel formulations of products it develops. This comprises patented formulation platforms, know-how, product related IP and trade secrets, which maximise innovation, protection and commercial success. The various aspects of Arecor's Arestat™ technology platform are protected by over 50 granted patents in jurisdictions including the United States, United Kingdom, France, Germany, China and India, and 20 pending patent applications. Over 70 other patents and patent applications cover or have relevance to products which are being developed or have been developed by Arecor on its own or with partners.

2.7. ***Strong management team and board***

Arecor's management team has significant experience in the specialty pharmaceutical industry and of managing high growth companies, and the Board has significant listed company experience. The Board includes seasoned industry entrepreneurs, executives and scientists, and the Directors believe that the team is capable of executing a major value proposition in the specialty pharmaceutical field. Further details of the Directors and the members of the management team, and their respective experience, are set out in paragraph 8 of this Part I.

3. History and Background

Arecor Limited was founded in 2007 as a spin-out from Insense Limited. The Group is headquartered in the Chesterford Research Park near Cambridge, United Kingdom, and the site has been fully operational since November 2016. From 2008 to 2016, investment was made in developing the platform technology, with validation through engagement by multiple pharmaceutical partners in early development and feasibility study agreements. In 2016, the Group initiated a new strategy to develop its own portfolio of proprietary products.

In December 2016, Arecor Limited was awarded an Innovate UK proof of concept SMART Grant of £0.30 million to investigate longer acting basal insulin formulation to combat the risk of nocturnal hypoglycaemia in diabetic patients. In January 2017, Arecor Limited was awarded a £1.05 million grant from Innovate UK to advance the Group's proprietary stable liquid glucagon product, towards proof-of-concept Phase I clinical trials.

In July 2016, Arecor Limited partnered with the JDRF to develop an ultra-concentrated rapid acting insulin, where the JDRF provided US$0.90 million in milestone funding over 12 months to complete product development to the end of pre-clinical pharmacokinetic and pharmacodynamic modelling. In October 2019, Arecor Limited entered into a second agreement where the JDRF provides funding to support the development and commercialisation of a pramlintide and insulin co-formulation.

In October 2017, an upfront licensing fee with one of its pharmaceutical partners was triggered following the signature of an exclusive global royalty bearing licence agreement between the parties. In February 2020, the novel stable liquid formulation under this partnership met the agreed intellectual property and improved thermostability specifications for both intravenous and subcutaneous presentations and consequently the Group achieved a second, contractual milestone under the terms of the licence. This product is in late phase development and the Directors expect that the partner will progress the product towards commercialisation, which could result in future milestone and royalty payments.

In November 2017 Arecor Limited was awarded a £0.68 million grant from Innovate UK to support the validation of a novel preclinical development platform to enable high value therapeutic co-formulations.

In September 2018, Arecor Limited secured a £6.0 million equity investment by institutional investors to progress clinical development of its diabetes portfolio.

In January 2019, Arecor Limited was awarded a £0.35 million grant from Innovate UK towards the development of a super-fast acting prandial insulin.

In January 2020, Arecor Limited announced that it had entered into an exclusive agreement to co-develop a new ready-to-use injectable medicine in the United States through Hikma's affiliate, Hikma Pharmaceuticals USA, Inc. In October 2020, Arecor entered a second exclusive agreement with Hikma Pharmaceuticals USA, Inc. to co-develop a further ready-to-administer injectable medicine.

In December 2020, Arecor Limited announced that Inhibrx, had exercised an option to licence a novel enhanced formulation of Inhibrx's proprietary therapeutic candidate, INBRX-101, developed by Arecor using the Group's patented Arestat™ technology. This was the first licence under a multi-product development agreement between Inhibrx and Arecor Limited.

In June 2020, Arecor Limited presented positive results for the Phase I clinical trial in Type I diabetic patients of its ultra-rapid acting insulin product candidate, AT247, with the data for this study published in the journal *Diabetes Care*. In March 2021, Arecor Limited was awarded a £2.8 million grant from Innovate UK to support the Phase II development of AT247.

In December 2020, Arecor Limited announced dosing of the first patient in a Phase I clinical trial in Type I diabetic patients for its second clinical stage product, an ultra-concentrated rapid acting insulin, AT278. The trial is being conducted in Austria at an internationally-recognised centre of excellence in the field of diabetes research and results from the trial are anticipated towards the end of 2021.

In April 2021, the Group commenced the Reorganisation in order to satisfy certain requirements in connection with Admission. As part of the Reorganisation, the Share and CLN Exchange was completed to create the current structure of the Group, whereby the Company was inserted as the new parent

undertaking of the Group (with Arecor Limited its wholly-owned subsidiary). The Reorganisation is more particularly described at 2.2 of Part VI of this document.

Upon Admission, the Group will employ 30 staff (including Executive Directors) of which 14 hold PhDs, 14 MSc and two MedChem qualifications. All employees are based at a 5,909 square foot facility in Chesterford Research Park, near Cambridge.

4. Business Description

4.1. *Business model*

The Group is developing an internal portfolio of proprietary enhanced products for diabetes care and specialty hospital care. The target markets for these products are outlined in sections 5.1 and 5.2. The Group's strategy is to develop novel formulations of biopharmaceutical products with enhanced properties and to partner with major pharmaceutical and biotechnology companies under a revenue-generating licence model with the potential for the Group to receive high single digit to double digit royalties on sales and significant milestone payments.

The Group also deploys the Arestat™ technology platform with leading pharmaceutical and biotechnology companies under a technology licensing model with the aim of developing enhanced versions of the pharmaceutical or biotechnology company's complex biological product, with the potential for milestone and royalty payments to the Group.

Arecor has four partnered programmes under its licensing model, two within its specialty hospital franchise (Hikma) and two under its Technology Partnerships model (Inhibrx and undisclosed partner).

In addition, Arecor is currently applying its Arestat™ technology to five additional products under revenue-generating formulation development studies, where the pharmaceutical or biotechnology technology partner in addition to the paid formulation development study has the option to exercise its licence right to further develop and commercialise the novel formulations developed under Arecor's technology licensing model, offering additional future revenue potential. These studies include an exclusive formulation study collaboration with Eli Lilly. Pursuant to the collaboration agreement, Arecor will use its proprietary formulation technology platform Arestat™ to develop a differentiated, thermostable formulation of one of Eli Lilly's proprietary products intended for self-administration.

Key internal proprietary pipeline products include:

A. *Diabetes:*

Arecor leverages its formulation platform to develop a portfolio of proprietary products enabling improved treatments for diabetes. Here the Arestat™ technology has been applied to develop novel formulations of insulin that accelerate absorption of insulin post injection even at high concentrations.

- Phase I: AT247 (ultra-rapid acting insulin) as outlined in section 4.3.1.1;
- Phase I: AT278 (ultra-concentrated rapid acting insulin) as outlined in section 4.3.1.2; and
- Pre-clinical: AT299 (stable co-formulation of pramlintide and insulin) as outlined in section 4.3.1.3.

The Directors believe that further investment in clinical programmes will take the diabetes products to significantly higher value inflexion prior to partnering with the potential for double digit royalties on sales and significant milestone payments.

B. *Specialty Hospital Care:*

The Arestat™ technology can also be applied to develop RTU and RTA premixed, intravenous drugs for use in hospital acute care. Currently, many of these often lifesaving drugs that are used in hospital settings are lyophilised powders that require complex reconstitution (mixing) procedures prior to administration to patients via intravenous infusion. This step adds to the workload of healthcare professionals and can result in unnecessary delays to the patient receiving

urgent treatments. In addition, the complex reconstitution processes can result in errors that lead to safety risks with patients receiving the incorrect drug or the incorrect dose. Arecor's RTU and/or RTA formats of these products can circumvent the need for a complex reconstitution step, providing a convenient, safe and effective treatment option for patients. Arecor's pipeline of specialty hospital care products consists of both partnered and in-house development programmes as outlined below:

- Formulation optimisation: AT282 (co-development with Hikma) as outlined in section 4.3.2.1; and
- Formulation development: AT307 (co-development with Hikma) as outlined in section 4.3.2.2.
- Undisclosed pipeline of internal products within formulation development – future partnering opportunities

Under the terms of the Hikma royalty-based agreements, Arecor has received an upfront payment and further payments are expected upon achievement of development, regulatory and commercial milestones. Hikma will be responsible for the manufacturing and commercialisation of the product. The Directors anticipate that the partnered programmes could be launched in the period from 2023 to 2025 with near term associated milestones and royalty revenue.

C. Technology Partnerships:

In addition to the diabetes and specialty hospital product franchises, the Group partners with global pharmaceutical and biotechnology companies to apply the Arestat™ technology to their partners' proprietary products under a technology licensing model (Technology Partnerships). These products can be at any stage in development from early phase clinical development through to products that are already on the market. When partnering in this way, the Group is agnostic to therapeutic area and product type, however, the main areas of applications of the technology are novel biologicals, biosimilars, therapeutic vaccines and therapeutic peptides. The typical target markets for these partnered products are outlined in section 5.3.

In addition to the two partnered specialty hospital care programmes with Hikma, Arecor currently has two further active licencing agreements in place through Technology Partnerships, the most advanced of which is a novel formulation of the partner's biosimilar. Commercial launch of this undisclosed biosimilar product is targeting a multi-billion market opportunity and the Directors estimate launch may be from 2023 with near term associated milestones and royalty revenue, with details of the Technology Partnerships licencing agreements outlined below:

- Late stage development: AT220 (biosimilar partnership with global pharmaceutical company) as outlined in section 4.3.3.1; and
- Pre-clinical: AT292 (partnership with Inhibrx) as outlined in section 4.3.3.2.

4.2. ***Overview of technology***

The Group's proprietary Arestat™ technology platform is based on a series of fundamentally unique insights into interactions between formulation excipients and proteins, allowing control of protein behaviour under various stress conditions. The Arestat™ technology, in combination with the extensive know-how of stability requirements, development processes and regulatory requirements, offers a series of formulation options that have been specifically designed to overcome the challenges associated with delivering enhanced pharmaceutical products via reformulation.

Through the use of the Group's proprietary Arestat™ platform, Arecor is able to rapidly optimise the formulation and discovery process for sub-optimal products, which can include sub-optimal therapeutic kinetics, conversion of lyophilised formulation to stable aqueous formulations or enhanced stability by removal of cold-chain requirement for some or all of product shelf-life and in-use period. Arestat™ technology has been applied across a wide range of proteins, peptides and vaccines for its ability to deliver a step change in stability and/or therapeutic profiles in improved and patent protected product formats.

By applying one of over ten Arestat™ formulation platforms in combination with the Group's proprietary algorithm, Arecor is able to develop unique new product formulations with carefully designed characteristics.

An excipient is a substance traditionally formulated alongside an active pharmaceutical ingredient ("**API**"), the biologically active component of a pharmaceutical, to confer enhancement of the API in its final dosage form. For example, excipients are traditionally used to either facilitate stability, reduce viscosity or simply 'bulk up' solid formulations. With Arecor's proprietary technology, Arecor can employ conventional and approved chemical excipients in unconventional ways, to differentiate already approved biological APIs, to produce novel and enhanced biopharmaceuticals.

The Arestat™ technology is well placed to deliver differentiation via innovative formulation within abbreviated regulatory and development pathways in the form of:

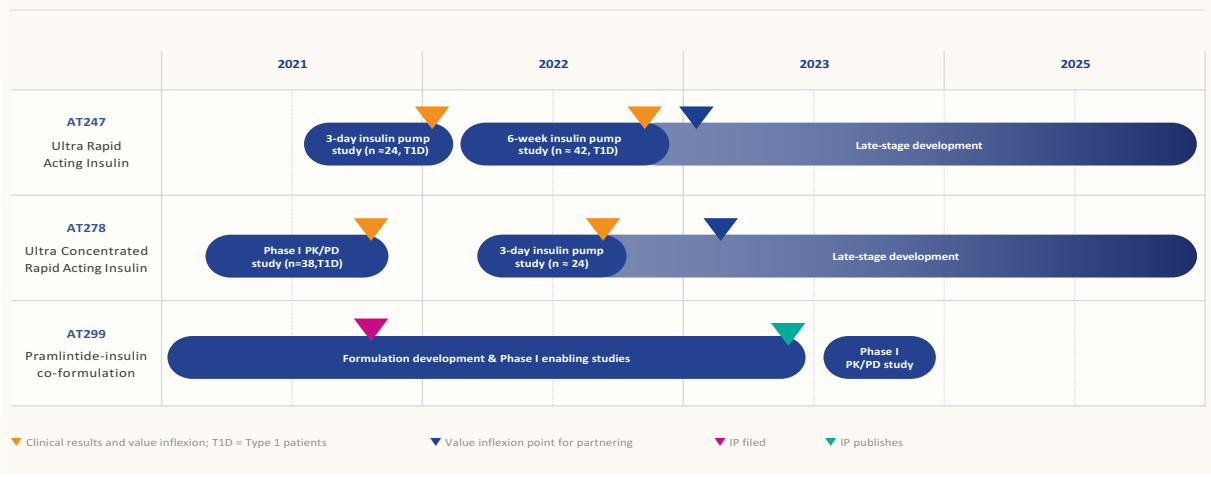
- Developing formulations of products with superior kinetics targeting improved clinical and patient outcomes;
- Stable liquid ready-to-use and ready-to-administer products for IV delivery, improving safety, speed and convenience;
- Convenient, concentrated liquid doses for self-administration via a single injection; and
- Heat-stable products maintaining product integrity and simplifying supply chains.

4.3. *Pipeline*

Arecor has an internal pipeline of proprietary products within its diabetes and specialty hospital care franchises. All proprietary products within development are novel formulations of existing approved products. Within its diabetes franchise, Arecor has three products under development, two of which are within clinical development (AT247 and AT278) and one which is in earlier pre-clinical development (AT299). Within the Group's specialty hospital care pipeline, these products are all in the formulation development stage, however, it is anticipated that these products will not require clinical development for approval (see regulatory section 7).

4.3.1. *Diabetes*

Arecor has three products under development within its diabetes franchise, with a high-level development summary shown below:



4.3.1.1. AT247 (ultra-rapid acting insulin)

AT247, is an investigational novel meal-time insulin formulation, which aims to significantly accelerate insulin absorption post injection, to enable more effective management of blood glucose levels. It has been designed to achieve PK and PD properties that more closely match the physiological insulin secretion profile of a healthy individual without diabetes, and hence, with the aim of improving blood glucose control and enable flexibility of insulin dosing as well as the clinical benefits of reducing both hypoglycaemia and hyperglycaemia.

AT247 is being developed by Arecor as a potentially superior ultra-rapid acting insulin primarily for Type 1 diabetic patients who self-administer insulin via multiple daily injection or continuous infusion (pump therapy).

AT247 has the potential to be an ideal pump insulin as it has favourable pharmacokinetic properties that may facilitate a fully closed loop artificial pancreas; a potentially life changing treatment option, particularly for Type I diabetics.

There is a need for more rapid acting insulins, such as AT247, to deliver improved patient outcomes. By combining both accelerated absorption and faster onset of glucose lowering action of insulin post injection, than currently marketed rapid-acting insulins at the same dose, the following clinical benefits and improved patient healthcare outcomes are possible:

- With favourable PK/PD and a profile closer to physiological insulin, AT247 offers the potential to improve post prandial glucose ("**PPG**") control, by delivering a faster reduction in glucose levels which counteracts the rise after eating a meal, bringing them back in to their target blood glucose range more quickly and maintaining control within this range. Improved PPG control has the potential to improve long term outcomes and reduce mortality for people living with diabetes;
- More Time In Range ("**TIR**"). TIR refers to the percentage of time spent within the target blood glucose range of between 70 and 180mg/dL. Typically for patients suffering from diabetes, blood glucose levels can either go too high or too low, with these conditions being termed as hyperglycaemia or hypoglycaemia, respectively. Both conditions can be dangerous and can lead to adverse health outcomes. The short and long-term complications of hyperglycaemia or hypoglycaemia can include kidney disease, nerve damage, stroke, loss of vision and heart disease. Other health-related quality of life issues associated with the management of blood glucose levels include problems with sleep, driving, employment, and recreational activities involving exercise and travel. Therefore, improving PPG and TIR, particularly around difficult to control meal-times, should result in improved clinical health outcomes, quality of life and reduce mortality;
- A truly ultra-rapid acting profile also allows greater flexibility around the timing of dosing insulin. The combined fast absorption and early onset of action of AT247 may enable greater control and flexibility for patients as it allows administration during or after a meal and has the potential to counteract postprandial hyperglycaemia and reduce the risk of late postprandial hypoglycaemia; and Ideal insulin for pump therapy to enable a fully closed loop artificial pancreas, which is a system whereby, the patient's blood glucose is constantly monitored by a continuous glucose monitor ("**CGM**"), these readings are fed to an algorithm which calculates the optimum dose of insulin to be delivered to maintain the patient's blood glucose within a target range. The insulin is then automatically delivered via a pump. These systems are currently available as a hybrid closed loop, whereby, insulin dosing is automated at all times except for meal-times where the user must come out of the closed loop system and manually calculate and dose a bolus of insulin for post prandial glucose control, with the limitation on enabling a full artificial pancreas being that current insulins are not fast enough acting to enable sufficient control in the closed loop mode at meal-times and improving TIR. The Directors believe that AT247 with its favourable PK and PD profile has the potential to enable a fully closed loop artificial pancreas system. The JDRF estimate that the development of a fully closed loop artificial pancreas system, one that fully automates and delivers an improvement in TIR from current baseline of ~70 per cent. to a TIR of ~95 per cent., would drive adoption of the artificial pancreas system, with potential for ~50 per cent. of Type I patients to use the system. In addition to the clear patient benefits, the JDRF estimates that in the United States alone this would achieve US$18 billion in US annual economic impact benefit (current ~US$30 billion US annual cost burden). Similar benefits would be expected globally where patients adopt the fully closed loop artificial pancreas.

Further information on the clinical development pathway of AT247 is set out in section 7 of this Part I.

4.3.1.2. AT278 (ultra-concentrated rapid acting insulin)

AT278, an ultra-concentrated rapid acting insulin formulation, is formulated at a high concentration of 500U/mL and has been designed to accelerate the absorption of insulin post injection. It has a pharmacokinetic and pharmacodynamic profile in a validated mammalian model that is at least equivalent to that of the currently marketed rapid acting 100 U/mL insulin aspart, with equivalent stability. AT278 is formulated at a high concentration of 500U/mL and has a pharmacokinetic and pharmacodynamic profile in a validated mammalian model that is at least equivalent to that of the currently marketed rapid acting 100 U/mL insulin as part, with equivalent stability. AT278 entered Phase I clinical development in Type I diabetic patients in December 2020, with results expected towards the end of 2021, details of which are described in section 7.5.

The product has the potential to deliver a superior mealtime insulin treatment for insulin resistant diabetics requiring >200 U/day and is also a critical step towards the advancement of the miniaturisation of next generation insulin delivery devices.

Currently available rapid acting prandial insulins such as Fiasp®, NovoRapid® and Humalog® are only available at concentrations of 100 and 200 U/mL respectively. Humulin®R U-500 is currently the only concentrated insulin available (500U/mL) for use by mainly Type 2 insulin resistant patients requiring >200U insulin/day who wish to minimize their number of daily injections. However, simply increasing insulin concentration reformulation leads to a significantly slower onset of action and overall longer duration of action, as is seen with Humulin®R U-500, AT278 is designed to overcome this.

By enabling a concentrated insulin with an accelerated absorption and faster onset of glucose lowering action of insulin post injection, the following clinical benefits and improved patient healthcare outcomes are possible compared with the current treatment option of Humulin®R U-500:

- Improved post prandial glucose control and more time-in-range as detailed above in section 4.3.1.1; and
- AT278 is expected to maintain the convenience and compliance benefits of Humulin®R U-500 for high insulin users, with potentially less injections being required per day, compared with the use of 100U/mL or 200U/mL NovoRapid® or Humalog and allowing the patient to inject up to 80 per cent. less liquid and still get the dose of insulin that they need.

With a rapid acting PK and PD profile, AT278 also provides the potential to enable miniaturisation of insulin pump delivery devices by significantly reducing the dosing volume of insulin, whilst delivering the clinical benefits of improved post prandial blood glucose control, due to its favourable pharmacokinetic and pharmacodynamic profile in a validated mammalian model that is at least equivalent to that of the currently marketed rapid acting 100 U/mL insulin aspart. Currently, the majority of Type II diabetics do not use insulin pump therapy, despite its clinical benefits at least in part due to the physical size of the insulin pump. Therefore, a very small miniaturised pump enabled by a fast-acting concentrated insulin has the potential to convert some of the approximately 38 million Type II patient population to effective insulin pump therapy.

Further information on the clinical development pathway of AT278 is set out in section 7 of this Part I.

4.3.1.3. AT299 (Pramlintide-insulin co-formulation)

Arecor is applying its Arestat™ technology to develop a stable co-formulation of pramlintide and insulin for a potential next generation treatment of Type I and Type II

diabetics requiring insulin. It has been demonstrated that the combined injection of pramlintide and insulin at meal-times results in significantly improved treatment outcomes, such as enhanced post prandial glucose control, weight loss and concomitant reduction in insulin doses. Currently pramlintide is underutilised despite these significant benefits as it requires the patient to administer daily injections in addition to their insulin injections. Therefore, as a combination treatment from a single injection, AT299 would reduce the burden of use by providing a single injection treatment option for pramlintide and prandial insulin.

4.3.2. *Specialty Hospital Care*

4.3.2.1. AT282 (partnership with Hikma)

In January 2020, Arecor and Hikma, a multinational generic pharmaceutical company, announced an exclusive agreement to co-develop a new, RTU injectable medicine in the United States through Hikma's affiliate, Hikma Pharmaceuticals USA Inc. As described in section 5.2, RTU medicines have the potential to provide safer, more convenient and immediate treatment option for patients and healthcare providers. This product is being developed using Arecor's proprietary drug formulation technology platform Arestat™ and Hikma will seek approval for the product under the US Food and Drug Administration's 505(b)(2) regulatory pathway. It is the Director's belief that no clinical trials will be required before regulatory submission, which the Directors estimate could be filed for approval from 2023.

Under the terms of the royalty-based agreement, Arecor has received an upfront payment and will receive further payments on the achievement of development, regulatory and commercial milestones. Hikma is responsible for the manufacture and commercialisation of the product. Arecor retains the right to develop and commercialise the product in certain markets outside the United States. The Group expects to transfer the final formulation of AT282 to Hikma in 2021. Hikma will generate all data required for regulatory submission and approval in its territories, including the United States. These studies will be fully funded by Hikma.

Further information on the clinical development pathway of AT282 is set out in section 7 of this Part I. Hikma will be responsible for the manufacture and commercialisation of the product.

4.3.2.2. AT307 (partnership with Hikma)

In October 2020, Arecor and Hikma announced the expansions of its strategic collaboration with a new agreement to co-develop and commercialise an additional RTA medicine (AT307). This agreement builds on Hikma and Arecor's first product co-development agreement for AT282 described above.

This product is being developed using Arecor's proprietary technology platform Arestat™, and Hikma will seek approval for the product under the US Food and Drug Administration's 505(b)(2) regulatory pathway. It is the Directors' belief that no clinical trials will be required before regulatory submission.

Under the terms of the royalty-based agreement, Arecor has received an upfront payment and will receive further payments on the achievement of development, regulatory and commercial milestones. Hikma will be responsible for the manufacture and commercialisation of the product. The Group expects to transfer the final formulation of AT307 to Hikma in 2022. Hikma will generate all data required for regulatory submission and approval in its territories, including the United States. These studies will be fully funded by Hikma.

Further information on the clinical development pathway of AT307 is set out in section 7.6 of this Part I. Hikma will be responsible for the manufacture and commercialisation of the product.

4.3.2.3. Research

Arecor has a dedicated research group that aims to maintain a continuous pipeline of proprietary product opportunities. Arecor is currently working on multiple product candidates that are all in the formulation development stage.

The current research stage products are focussed within specialty hospital care. They are novel formulations of generic hospital specialty drugs; drugs that need to be administered by either injection or intravenous infusion. Arecor is applying its Arestat™ technology to develop stable, liquid formulations in either a ready-to-use and, or ready-to-administer presentation. For these differentiated generic formulations, Arecor also works to both establish a patentable position, and to circumvent any granted third party formulation patents that may be in place.

As reformulations of existing products, these products will be developed under the abbreviated US FDA 505(b)(2) regulatory pathway and in the EU, under the Directive 2001/83/EC Hybrid pathway. It is the Directors' belief that a clinical study will not be required for approval of these products, however, there is potential that the regulators could require a single bioequivalence study to be performed.

4.3.3 *Technology Partnerships*

Biosimilar Licence Partnership:

4.3.3.1. AT220 (partnership with global pharmaceutical company)

In late 2017, Arecor announced that a global pharmaceutical and healthcare company, had exercised its licence option to Arecor's proprietary formulation technology, to further develop a novel and differentiated formulation of one of its biosimilar products. Arecor's partner has since further developed this novel formulation of its biosimilar product which is in late stage development. Arecor management estimate that if successful this product could be commercially launched from 2023.

Under the terms of this agreement, Arecor is applying its innovative and proprietary formulation technology and expertise to develop superior formulations of certain biosimilar products proprietary to its global pharmaceutical partner. Arecor has received two milestone payments and will receive development milestones and royalties on sales if the partner continues to develop and commercialise the product.

Novel Therapeutic product candidate partnership:

4.3.3.2. AT292 (partnership with Inhibrx)

In late 2020, Arecor announced that its partner Inhibrx, a NASDAQ listed US clinical stage biotechnology company, had, following Arecor's successful formulation development, exercised its option to licence a novel enhanced formulation of Inhibrx's proprietary therapeutic candidate, INBRX-101, developed by Arecor using the Group's patented technology, Arestat™. This is the first licence under a multi-product development agreement between Inhibrx and Arecor. INBRX-101 is a precisely engineered recombinant human Alpha-1 Antitrypsin Fc-fusion protein for the treatment of Alpha-1 antitrypsin deficiency ("**AATD**"). AATD is an underdiagnosed inherited orphan genetic disease that can cause serious lung disease in adults and/or liver disease at any age. The Directors believe the decision by Inhibrx to exercise this licence option demonstrates the strength of the Arestat™ platform to develop improved formulations of complex biopharmaceutical proteins.

Under the terms of the agreement, Arecor has received an upfront payment and further payments on the achievement of development, regulatory and commercial milestones along with payments on commercial sale. Inhibrx gains rights to the new formulation developed by Arecor and the associated intellectual property and will be responsible for the manufacture and commercialisation of the product.

4.5. ***Intellectual property***

The various aspects of Arecor's Arestat™ technology platform are protected by over 50 granted patents in jurisdictions including United States, United Kingdom, France, Germany, China and India, and 20 pending patent applications. Arecor's key patents and pending applications include the following examples:

- Displaced buffer technology;
- Stabilised protein formulations containing amphiphilic excipient;
- Stabilized antibody formulations; and
- Stabilized Fc protein construct formulations.

Over 70 other patents and patent applications cover or have relevance to products which are being developed or have been developed by Arecor on its own or with partners.

Key patents and pending applications covering Arecor's proprietary products include pending patent applications filed by Arecor for its diabetes franchise in respect of Arecor's ultra-rapid acting insulin (AT247) and ultra-concentrated insulin (AT278) in a number of jurisdictions including United States and Europe. Patent protection on the AT247 and AT278 programme lead products is expected to last at least until 2037.

Arecor is the sole owner of all of the granted patents and pending applications filed by Arecor and the Directors are not aware of any issues with the chain of title.

With respect to freedom-to-operate, Arecor routinely monitors the technical areas associated with all of its platform technologies and proprietary products. The Directors are not aware of any pending or threatened legal proceedings relating to Arecor's products

Arecor is working on programmes involving a number of companies, including Hikma and Inhibrx. At the formulation development stage, if the pharmaceutical or biotechnology company accepts that the formulation meets the target stability profile and wishes to take product development forward, then a specific commercial licence agreement for that formulation may be entered into. Arecor's standard approach to handling IP in the context of its formulation work and partnered programmes (which, however, is subject to individual negotiation and thus may vary in particular instances) is as follows:

- the feasibility study involves use by Arecor of Arecor background IP including certainly know-how and possibly technology described in background patent filings;
- the results of the feasibility study in so far as they relate to formulations containing the partner's drug molecule are captured in one or more patent filings owned by Arecor; and
- where a commercial licence agreement is entered into, the partner is granted a licence to arising IP and necessary Arecor background IP and, in some cases, is granted an assignment of any arising IP that Arecor owns that is specific for the product in question.

Revenues under these commercial licence agreements typically involve a signature payment, milestone payments linked to stages of development or commercialisation and royalties on sales. The royalty typically is paid for the term of underlying Arecor background IP or arising IP or for a certain number of years after first commercial sale, whichever is longer. In some cases, the royalty may be substituted for a technology access fee based on annual net sales. In other cases, the royalty on sales may be substituted for a share of profits. The precise terms of the agreements with partners are confidential.

A specialist IP report is included as Part III or this document and has been prepared by Sagittarius IP.

4.6. ***Manufacturing strategy and facilities***

4.6.1. *Manufacturing: Internal Portfolio of Proprietary Products*

For a typical Arecor internal proprietary product, development begins with the establishment of a Target Product Profile which defines critical product (shelf-life, container closure system, device etc.), patient and end-user requirements (how is the product currently used, how can it be improved) and commercial (market and partnering opportunity) parameters. A lab scale

drug product process is developed in-house along with qualification of stability parameters. When lab scale assessments meet the defined success parameters, the processes are transferred to an approved and audited contract manufacturer for scale up to a production capacity suitable for pre-clinical and clinical requirements.

Arecor typically develops formulations that use existing, readily available excipients, and the novel formulations developed do not need any bespoke manufacturing equipment, allowing the resulting formulated product to be readily transferred to standard manufacturing facilities. It should be noted that under its Technology Partnerships, the partners are typically responsible for manufacturing.

4.6.2. *Manufacturing: Diabetes Portfolio*

The Group has agreed terms of supply with an external current Good Manufacturing Practice ("**cGMP**") manufacturer for the manufacture and release Insulin Aspart (CAS 116094-23-6) Active Pharmaceutical Ingredient ("**API**") in accordance with cGMP.

The insulin aspart API manufacturer is experienced in the manufacture of recombinant and chemical APIs, semisolid formulations, sterile injectables (solution and dry powder) and pharmaceutical excipients (USP and Ph.Eur. standards).

For Arecor, lyophilised insulin aspart API is shipped by the API manufacturer (according to GDP), to United Kingdom based contract manufacturer to manufacture the final drug product, using Arecor's proprietary formulation and standard sterile fill/ finish processes into Type 1 glass vials. The final drug for AT247 and AT278. AT247 and AT278 have been developed to meet the requirements of the USP monograph 'Insulin aspart for injection' (USP43-NF38 – 2341).

The current supply chain and CDMOs can support Arecor's manufacturing and clinical trial material supply to the end of Arecor's planned clinical studies.

5. Principal markets

5.1. ***Diabetes Market***

5.1.1. *Diabetes*

Diabetes mellitus, often referred to simply as "diabetes", is a chronic condition that affects the body's ability to control blood sugar level and use energy from food. In a healthy body, carbohydrates from nutrition are broken down to glucose, which in turn provides energy for the cells. This process is controlled by a hormone called insulin. Diabetes is due to the inability of the body to produce enough insulin (in the case of Type I diabetes) or to use it properly (in the case of Type II diabetes). Consequently, glucose builds up in the blood stream. If left untreated, diabetes typically leads to serious health complications, including heart disease, kidney failure, nerve damage or blindness.

Type I diabetes is a lifelong disease that affects the body's ability to convert glucose from food into energy. In most cases, type I diabetes develops early in life and is often diagnosed during childhood. The disease starts when the immune system attacks cells in the pancreas that produce insulin, the hormone that helps convert glucose into energy for the body's cells. All Type I diabetics require daily insulin injections to survive. All Type I diabetics could potentially benefit from Arecor's insulin products that are in development.

Type II diabetes is a complex chronic disease that occurs when the body cannot make enough insulin or use it effectively. For people living with diabetes their disease is managed initially through a combination of diet and lifestyle, however, those whose bodies do not respond well, or are resistant to insulin, may need treatment in order to keep their blood sugar levels under control. Many patients with Type II diabetes ultimately progress to the stage where they require injections of insulin to control their blood glucose and help prevent long-term complications.

5.1.2. *Prevalence of Diabetes*

Worldwide, there are currently about 463 million people living with diabetes, expected to grow to about 700 million diabetics by 2045. Approximately ten per cent. of diabetics worldwide are Type I, and the remaining approximately 90 per cent. are Type II. Growth in the number of Type II diabetes patients is fuelled by increasing rates of obesity in countries around the world.

5.1.3. *Addressable Patient Populations for insulin products*

Global

It is estimated that there are approximately 56 million people using insulin globally. Of these, approximately 18 million are Type I diabetics therefore, there are approximately 38 million insulin dependent Type II diabetics worldwide.

United States

Approximately 6.8 million Americans are treated with insulin; it is estimated that 1.6 million are Type I diabetics, and hence, approximately 5.2 million are Type II diabetics.

United Kingdom

Approximately 3.9 million people in the United Kingdom are diagnosed with diabetes, of these, around ten per cent. (approximately equivalent to 400,000 people) have Type I diabetes. It is estimated that a further 1 million people are living with Type II diabetes that has not yet been diagnosed, bringing the total to more than 4.8 million.

5.1.4. *Addressable market size for fast acting insulin products*

Within the 56 million global insulin users, Arecor is targeting those Type I and Type II patients who currently use a class of insulins called 'fast-acting insulin analogs'. The 2019 global sales for these fast-acting insulin analogues was approximately US$6.4 billion as outlined in Table 1 below:

Table 1: Global fast acting insulin analog 2019 sales

Insulin Product Name	*Product Owner*	*2019 Sales[1]/$millions*
Novolog (insulin aspart)	Novo Nordisk	2,947[1]
Fiasp (insulin aspart)	Novo Nordisk	203[1]
Humalog (insulin lispro)	Eli Lilly & Company	2821
Apidra	Sanofi Aventis	416
Total		6,387

[1] 2019 company annual reports; Conversion 1 DKK = 0.1632 USD, Conversion 1 EURO = 1 .21 USD. (Xe.com accessed 15 Feb 2021).

5.1.5. *Arecor Products - Future Growth Potential and Market Trends*

5.1.5.1. Delivery of insulin via continuous infusion (insulin pump therapy)

The goal of diabetes treatment is to keep blood glucose levels inside a target healthy range, referred to as TIR, so as to reduce the risk of serious health complications that result from chronic hyperglycaemia (high blood glucose) and life threatening hypoglycemia (very low blood glucose).

There are currently two modes of insulin delivery:

- Multiple Daily Injection ("**MDI**"); or
- Continuous Subcutaneous Insulin Infusions ("**CSII**"), which is continuous delivery via an insulin pump.

There is a global trend towards an increase in CSII as a delivery mode, particularly within the Type I patient population, with 30-40 per cent. of Type I patients in the US

now using CSII. In addition, there remains a need for a next generation fully closed loop artificial pancreas system (see section 5.1.5.2), where even faster acting insulins such as AT247 are needed.

For the Type 2 patient population the physical size of the insulin pumps, their complexity and the need for an infusion set is considered to be a barrier to their adoption. This barrier can be resolved with the development of a next generation miniaturised insulin patch pump, an area of focus for insulin pump device makers. In addition, a concentrated rapid acting insulin such as AT278 would be required to enable this product.

5.1.5.2. Artificial Pancreas

As highlighted by the JDRF, the demand is high for next generation 'artificial pancreas' devices that reduce patient user burden and achieve higher TIR'.

A fully closed loop artificial pancreas is a system whereby blood glucose is continuously measured using a continuous blood glucose monitor ("**CGM**"), an algorithm calculates insulin requirements based on real-time blood glucose (from the CGM measurement) and insulin is then automatically delivered by a pump based on this calculation. Similar systems are in use currently, however, they are known as hybrid closed loop systems. They are considered 'hybrid', as the user currently needs to intervene at meal-times to enable sufficient blood glucose control.

The JDRF estimate that the development of a fully closed loop artificial pancreas system, one that fully automates and delivers an improvement in TIR from current baseline of ~70 per cent. to a TIR ~95 per cent., would drive adoption of the artificial pancreas system, with potential for ~50 per cent. of Type 1 patients to use the system. In addition to the clear patient benefits, the JDRF estimates that in the United States alone this would achieve US$18 billion in US annual economic impact benefit (current ~US$30 billion US annual cost burden). Similar benefits would be expected globally where patients adopt the fully closed loop artificial pancreas.

5.2. ***Specialty Hospital Products Market***

Arecor's proprietary portfolio of specialty hospital care products covers critical hospital care medicines administered by healthcare professionals, particularly in treatment of serious infections, cancer and emergency cardiac events. The products considered in this part of the portfolio are carefully selected to meet the criteria for approval under the abbreviated US Food and Drug Administration's 505(b)(2) regulatory pathway. There has been a steady growth in demand for many of these drugs to be delivered via injection or infusion, especially in critical hospital care settings that requires controlled administration.

Development of an RTA and RTU hospital specialty product offers the opportunity to market a differentiated product in a valuable, but often competitive, space. Within the specialty hospital products market formats are often still based on lyophilized powders in dual chamber bag systems, separating the powder from the diluent (e.g. Pfizer ADD-Vantage™ system of B Braun Duplex® system) or they are presented in frozen form (e.g. Baxter Galaxy system). Whilst such products offer a degree of improved convenience, there is already commercial interest to develop viable liquid products that are truly ready to administer without additional handling steps. Fresenius Kabi, along with companies like Xellia Pharmaceuticals and Eagle Pharmaceuticals, have publicly stated their ambition to bring more RTA and RTU products to the market, and Hikma has already partnered with Arecor to develop an initial two RTA and RTU products.

With so few commercially manufactured, RTA and RTU liquid infusion products currently available, there are few comparable products to estimate the accessible market size for RTA and RTU products. A benchmark that can be used as a guide, however, is the compounding pharmacies industry. The global compounding pharmacies market (including hospital pharmacies and compounding pharmacy companies) was estimated at over US$10.3 billion in 2020, with the United States representing around 50 per cent. of the market value. The global market is projected to grow steadily at around 5.8 per cent. CAGR from 2021 to 2027, driven by the increased demand for personalised medicine and also the increase in chronic diseases and cancer seen with ageing populations.

The Arestat™ formulation platform has been validated on a broad range of drugs, including peptides and small molecules, enabling stable injectable or infusible products. In terms of the size of the near-term accessible market opportunity for Arecor, seven different RTU and RTA hospital specialty products are being developed by Arecor. Two of these programmes have already been partnered with Hikma, validating the commercial interest in this product class. The combined global market size of these seven drugs alone is around US$3.8 billion. In addition to the two specialty hospital products already partnered with Hikma, the remaining internal pipeline of specialty hospital products being developed by Arecor represent future licensing opportunities.

5.3. ***Technology Partnering Target Markets***

The Group partners with global pharmaceutical and biotechnology companies to apply the Arestat™ technology to their proprietary products under a technology licensing model. The Group's target markets for technology partnering programmes focus primarily on high value biological products and include biosimilars, novel biological products (biologicals) in development, and vaccines.

5.3.1. *Biosimilars*

A biosimilar is a biological product that is highly similar to, and has no clinically meaningful differences from, an already approved biological product (known as the reference product). The biosimilar approval pathways were established to make innovative biological therapies more affordable and accessible to a larger number of patients, once the patent protection and other exclusivities for an originator's biologic product have expired.

In 2020, the global biosimilars market was estimated to be worth US$11.8 billion. Since the first approval in 2015, the US biosimilar market has grown strongly with a total of 29 biosimilar products, based on nine reference biologicals, approved as of December 2020. Of these, a total of 20 biosimilar products have been commercially launched, to date.

Growth in the global biosimilar market is expected to continue as additional originator biologicals come off-patent; it is forecast to reach US$35.7 billion by 2025 (CAGR 24.7 per cent.). In the US alone, over 100 biosimilars are in development across an additional 22 reference molecules (originator products). In March 2020, the FDA expanded the biosimilar category to include 90 additional molecules that can serve as reference products for biosimilars.

Biosimilar products compete directly with the originator's product, which typically leads to a degree of price reduction. However, the price reduction is often not sufficient to ensure a significant share of the market for the biosimilar players; increasing competition is driving a growing need to differentiate biosimilars within the limits of regulatory guidelines, for example by launching a product with improved in-use stability or more convenient delivery option. In addition, the originators often use formulation patents as a key part of the patent thicket to delay the entry of biosimilars. It is not unusual for the formulation patents to be the last to expire within the patent portfolio protecting a given originator product. In such cases, launching a biosimilar early requires novel formulations that do not infringe upon the originator's formulation patents.

Arecor has already validated its ability to develop novel formulations of biosimilar products with enhanced properties that do not read on the originator's formulation patents through its internal research and development as well as partnered programmes. The commercial applicability of the application of Arestat™ technology and associated IP protection to the biosimilar market has also been demonstrated by its licence partnership with a global pharmaceutical company in this area. Arecor expects to enter into further biosimilar partnerships and see this as an area of future growth.

5.3.2. *Thermostable Vaccines*

The global vaccines market was worth approximately US$41 billion in 2020 and it has witnessed strong growth in the past few years. It is dominated by a number of large pharmaceutical players; the top five manufacturers in the global vaccines market (Merck & Co., Sanofi, Pfizer, GlaxoSmithKline, and Johnson & Johnson), secured about 76 per cent. revenue share in 2018.

Since 2019, one of the leading trends witnessed in the global vaccines market has been driven by the coronavirus pandemic (COVID-19), with numerous pharmaceutical and biotechnology companies involved in the race to develop novel vaccines against the disease. Market growth is expected to continue beyond activities driven by the current coronavirus virus pandemic, with research and development activities focused on developing vaccines to protect against other life-threatening infectious diseases, such as influenza, HIV, Ebola, Hepatitis C and paratyphoid fever. Looking forward, the global vaccine market value is projected to reach US$57 billion by 2025, expanding at a CAGR of 7.4 per cent. (2020-2025).

Vaccines vary greatly in their ability to remain viable and potent under fluctuating temperatures; most vaccines require cold chain transportation and storage to remain viable. Some vaccines must be kept frozen or formulated as inconvenient lyophilized powders in order to maintain their potency during storage. Vaccines can lose their potency, become ineffective, or can even become hazardous due to issues in maintaining cold-chain during transportation and storage. These failures add to the overall cost of vaccination programmes, limit availability, and threaten public safety. The World Health Organization reports over 50 per cent. vaccine wastage around the world and one of the biggest contributors to this wastage is disruption of the cold chain. Improved thermostability would increase access to life-saving vaccines, especially in emerging economies. The need for heat-stable vaccines has been recently illustrated with the BioNTech/Pfizer COVID-19 vaccine which represented significant challenges in storage and distribution due to the requirement for the vaccine to be stored at approximately -80°C.

The Arestat™ formulation platform has been shown to address many of the stability issues of vaccines including attenuated viruses, viral vectors, virus-like particles, recombinant and polysaccharide vaccines. Whilst the technology is applicable to vaccines very broadly, Arecor also has patent families that are specific to polysaccharide vaccines as well as vaccines relying on adenovirus vector delivery. The Arestat™ technology thus can be applied to a broad range of vaccines to develop novel, heat-stable, liquid versions of these critical products. Arecor has already validated the technical feasibility of, and partnering interest in, these heat-stable liquid vaccine formulations. The Group is actively working with a partner under its technology partnership model and anticipates further collaborations in this therapeutic area.

5.3.3. *Novel biologicals in development*

Innovative biological products have been developed and approved to treat patients with a range of life-threatening diseases including cancer, autoimmune diseases and severe asthma. The category of biological products includes antibodies, other protein therapies, complex biologicals, and more recently cell and gene therapy products. The global market size is vast, estimated to be around US$269 billion in 2019. Many biological medicines are very expensive, often due to complex manufacturing processes and the high-unmet needs of the conditions that they are developed to treat. In 2019, seven of the top ten selling drugs in the world were biologicals, these seven drugs alone generated sales of US$67 billion.

A key focus for Arecor is antibody-based therapies. A total of ten novel antibody therapeutics were granted first approval in the United States or European Union in 2020, and growth is expected to continue as marketing applications for 16 investigational antibody therapeutics are already under review by either the FDA or the EMA. In addition, around 88 antibody-based therapeutics are currently in late-stage clinical studies.

Many antibody and protein-based products, especially the more complex protein constructs developed by latest advances in genetic engineering have an immense therapeutic potential but can be unstable in liquid form. In addition, a number of antibody and protein-based products often require a high therapeutic dose and low volume subcutaneous injection delivery is preferred for patient convenience and compliance. To achieve this, the therapeutic protein needs to be very highly concentrated, however, achieving stable aqueous formulations at high concentrations is often challenging. Arecor's proprietary Arestat™ technology offers a series of formulation options that have been specifically designed to overcome the challenges associated with delivering stable aqueous protein formulations, particularly at high concentrations of protein.

Arecor's approach in this area has been validated, both in terms of technical feasibility and partnering interest. Inhibrx, Inc., recently exercised an option to licence a novel enhanced formulation of its recombinant human Alpha-1 Antitrypsin Fc-fusion protein, INBRX-101, which was developed using Arestat™ technology. This collaboration demonstrates the capability of the Arestat™ technology to deliver superior reformulations of complex proteins, in this case for treatment of an orphan disease.

5.4. ***Additional Emerging Opportunities***

The area of biologicals is developing very rapidly with further advancements in genetic engineering techniques, resulting in emergence of more complex novel protein constructs with considerably improved therapeutic potential over that achieved by traditional monoclonal antibody and protein therapies. In addition, there has been a considerable focus on gene and RNA therapy. The growing development of these novel product modalities, accompanied by the increasing pressure on patient-centric product formats such as self-administered injections that can be used in the home setting, results in a significant need to develop formulations that can enable stable, convenient, liquid product profiles. This new unmet need creates an excellent opportunity for Arecor.

6. Competitive landscape

Arecor's technology and business operations revolve leveraging its proprietary Arestat™ technology to develop novel formulations of existing products with enhanced properties. Understanding the competitive landscape is key in defining Arecor's strategy with respect to (i) product focus for proprietary product development, (ii) areas for future technology development (iii) successful technology partnerships and (iv) business development and commercial exploitation. The principal peers and competitors in the key markets fall into four categories as outlined below.

Pharmaceutical and Biotechnology formulation groups

Pharmaceutical and larger biotechnology companies generally have large product development teams. Whilst some of the teams focus on early stage products, including product characterisation and rapid development of simple formulations for early clinical trials, others focus on late stage products, developing final formulations suitable for the selected delivery option or delivery device. The formulation strategies involved in the drug development process have become in many ways standardised across the industry. Arecor keeps up to date with the latest developments, trends and emerging needs in product formulation via conferences, peer-reviewed publications, focus groups and discussion panels and through performing patent landscaping and most significantly by working directly with the formulation scientists in the pharmaceutical and biotechnology companies in the technology partnering part of Arecor's business. The product development groups are important peers and partners for Arecor. Arecor engages with the pharmaceutical/biotech companies under its technology partnership licensing model on products that are either difficult to formulate against tight specifications using the standardised formulation approaches and particularly on high value products that require formulation-driven differentiation and strong patent protection in a competitive marketplace.

Contract Research Organisations with focus on formulation

There are a number of Contract Research Organisations (CROs) who offer fee-for-service formulation services to pharmaceutical and biotech companies. CROs utilise standard formulation techniques and most have not built up proprietary technology platforms; they are not considered by Arecor to be direct competitors, as partners engage with Arecor under the licence model to develop formulated products that would not otherwise be possible using the standard formulation approaches. Examples of CROs that are active in formulation include large multinational companies, such as Lonza (headquartered in Switzerland), Intertek (headquartered in the United Kingdom), Cobra (headquartered in the UK), Rentschler (headquartered in Germany), KBI (headquartered in the United States).

Formulation Technology Providers

There are formulation technology providers that operate a fee for service plus licensing model, who are considered competitive in specific market segments. The companies in this category focus primarily on partnerships but some of them are also developing a proprietary clinical pipeline including Leukocare, Crystech Pharma, Ligand Pharmaceuticals, Halozyme, and Latitude Pharmaceuticals.

Development of products enabled by proprietary formulation approaches

Additionally, there are a number of product companies progressing differentiated products enabled by formulation technology where the primary focus is on advancing their own proprietary products rather than early partnership, including Xeris Pharmaceuticals and Adocia where both have a strong focus on diabetes and metabolic diseases and an overlap with Arecor's technology and business interests; further examples of product companies progressing differentiated products enabled by formulation technology where the primary focus on advancing their own proprietary products would include Neurelis, Eagle Pharmaceuticals and Xellia Pharmaceuticals.

7. Regulatory environment

The Group and its operations are subject to strict regulation. Regulation by governmental authorities in the UK, Europe, the United States and other jurisdictions is a key factor in the development, manufacture and marketing of medicinal products and in ongoing research and development activities.

Arecor is applying its Arestat™ technology to develop enhanced proprietary products in diabetes care and specialty hospital care, with the regulatory pathways and clinical development requirements differing between products, as outlined in sections 7.5 and 7.6 below.

7.1. *Overview: General Regulatory Processes in Europe and the US*

The process regarding approval of medicines involves satisfactorily completing each of the following:

- Pre-clinical laboratory tests, animal studies and formulation studies all performed in accordance with applicable Good Laboratory Practice ("**GLP**") regulations;
- Submission to the relevant national authorities of a Clinical Trial Application ("**CTA**") or Investigational New Drug ("**IND**") which must be approved before a clinical trial may begin;
- Performance of adequate and well-controlled clinical trials in accordance with the principles of ICH GCP to establish the safety and efficacy of the product for each proposed indication. ICH (International Conference on Harmonisation) GCP (Good Clinical Practice) is a standard for the design, conduct, performance, monitoring, auditing, recording, analyses, and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate, and that the rights, integrity, and confidentiality of trial subjects are protected;
- Submission of a Marketing Authorisation Application ("**MAA**"), New Drug Application ("**NDA**") or Biologics License Application ("**BLA**") which includes data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product in clinical development and also the proposed labelling;
- Satisfactory completion of inspection by the relevant national authorities of the manufacturing facilities, including those of third parties, at which the product is produced to assess compliance with Good Manufacturing Practice ("**GMP**");
- Potential audits of the non-clinical and clinical trial sites that generated the data to support the licensing application; and
- Review and approval by the relevant competent authority before any commercial, sale or shipment of the product.

7.2. *Development Pathways to Approval: EU*

In the EU, the legal basis to seek an approval of a medicinal drug product is currently under the European Directive 2001/83/EC, as amended, and Regulation (EC) No 726/2004, as amended. To the extent possible, Arecor or its collaboration partners (as relevant) will seek approval for its internal proprietary products, AT247, AT278 and AT299 and the specialty hospital franchise products AT282 and AT307, through the EU Centralised Procedure ("**CP**"). The main objectives of the CP are to provide one marketing authorisation that is valid in all EU countries and by extension in the European Economic Area countries, with one invented name, one common product information and centralised safety monitoring.

There are several specified regulatory pathways that are of relevance to Arecor's proprietary products, the majority of which are abridged applications that demand fewer clinical studies and so may offer a shorter and less expensive development timeline. The EMA and other national Health Authorities ("**HA**") advocate effective planning and discussions with authorities to facilitate development and submission.

Directive	*Application Type*	*Arecor Product(s)*	*Clinical Study Requirements*
2001/83/EC Article 10(3)	Abridged hybrid application - for products that are different from the reference product but do not fall under the generic pathway.	Specialty hospital franchise products are expected to follow this pathway.	Clinical studies may be limited, in certain circumstances, to one Bioequivalence study
2001/83/EC Article 10(4)	Abridged application for biosimilars - any submission made under this legal basis requires a European reference product with biologic origin, usually with a similar strength and same route of administration.	This route is expected be suitable for diabetes products AT247 and AT278, but needs to be discussed and agreed with EMA as the clinical programme progresses	In general, biosimilar submissions are supported by at least one Phase III clinical efficacy and safety study
2001/83/EC Article 10b	Full application - this is the legal basis for the registration of combination products	Expected to be suitable for the diabetes product AT299	AT299 is currently in pre-clinical development. Full clinical trial programme required

7.3. ***Development Pathways to Approval in the United Kingdom***

The Medicines and Healthcare products Regulatory Agency ("**MHRA**") is the United Kingdom's standalone medicines and medical devices regulator. From January 2021 all new marketing authorisation applications for EU centrally authorised products, which will include biologics such as insulin products, must have both a marketing authorisation holder in the EU/EEA and also must apply for a separate UK authorisation using the same information as for the EU authorisation.

Both the EMA and MHRA offer fast track or accelerated marketing authorisation application approval schemes, most of the medicines that are eligible to follow these pathways are for the treatment of orphan disease or for paediatric indications.

Clinical trial applications ("**CTAs**") will continue to be reviewed separately by each European country that has a clinical site in the trial for the time being. A portal for central submission of CTAs for clinical trials in the EU/EEA is planned for introduction by the EMA.

7.4. ***Development Pathways to Approval: United States***

The categories of submissions in the US include a new drug application ("**NDA**"), an abbreviated new drug application ("**ANDA**") for generics, hybrid applications for small molecule drugs that fall between an NDA and ANDA (505(b)(2). For biologics, a biologics license application ("**BLA**") must be submitted and for biosimilar and interchangeable biologics, the application is termed a biosimilar/interchangeable BLA. Interchangeable biologics are biosimilars that are approved by the FDA to be substituted by a third party for the reference biologic.

US law treats "chemically synthesised drugs (often referred to as small molecules)" and "biologics" differently. Drugs are approved under the Federal Food, Drug and Cosmetic Act ("**FD&C Act**") as NDAs, whereas biologics are approved under the Public Health Service Act ("**PHS Act**") as BLAs. Because drugs and biologics are regulated under different statutes, they enjoy different protections

and are subject to different rules. Consequently, different abbreviated regulatory pathways are available for drugs and biologics.

In the United States, biosimilars and interchangeable biologics are typically approved under the Biologics Price Competition and Innovation Act ("**BPCIA**"). Contrary to this, a small subset of biologics, including Insulin and human growth hormones, have historically been approved under the statute for drugs, the FD&C Act. As these biologics were not approved under the PHS Act, sponsors could not seek approval of biosimilars or interchangeables of these products under the BPCIA. However, on 23 March 2020, the review and approval of Insulin in the United States was changed as a result of a provision in the BPCIA, transitioning to being regulated under the PHS Act.

There are several regulatory pathways that are of relevance to Arecor's proprietary products. Many of these are abbreviated pathways, and even when a standalone marketing application is required (such as for our insulin products in the United States) it is expected that regulators will demand fewer clinical studies because Arecor uses active ingredients whose safety and efficacy are known. Arecor's products can thus be developed in a shorter development timeline.

Pathway	*Application Type*	*Arecor Products*	*Clinical Study Requirements*
FD&C 505(b)(2)	Hybrid between a standard NDA and an ANDA For approval for differentiated products, where new formulations aim to offer an advantage over the existing approved product	Specialty hospital products	Evidence of safety and clinical efficacy generated on the originator products can be relied upon in the NDA and in many cases further clinical studies are not required. At this time, based on Arecor' proposed formulation changes to the originator products, it is assumed by the Directors that clinical studies will not be required for the products in the Group specialty hospital products franchise
PHS 351(a)	For biological products approved in a standalone application and not relying on another approved application.	Diabetes products, AT247 and AT278	351(a) supported through several clinical pharmacology and efficacy/safety studies, as well as nonclinical information and studies. See section 7.5 below
PHS 351(k)	In the case of biosimilars, an abbreviated licensure pathway for biological products was created through the Biologics Price Competition and Innovation Act of 2009.		351 (k) At least one PK/PD study and, in general, at least one efficacy, safety and immunogenicity study.

7.5. ***Accelerated Clinical development programme: AT247 and AT278***

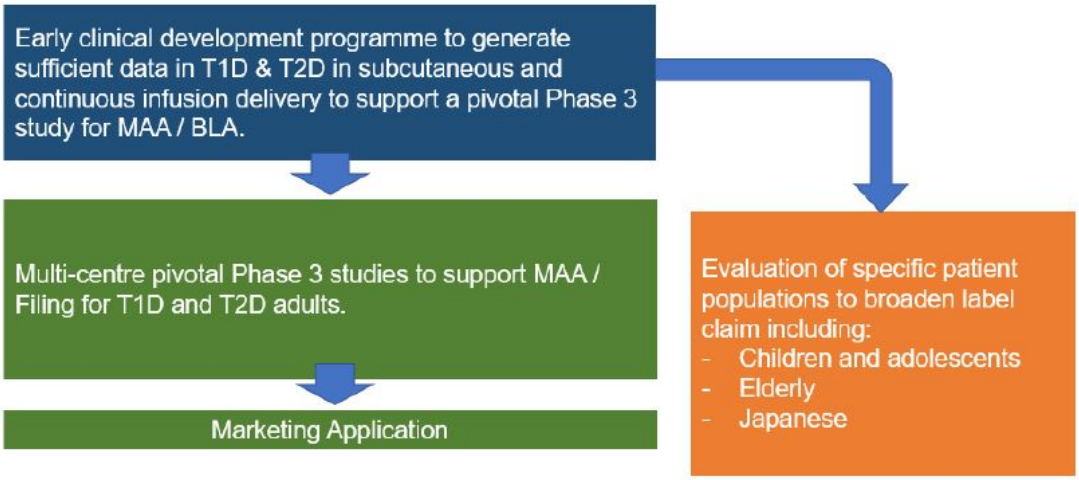
AT247 is not a new biologic, rather it is a new formulation of insulin aspart which is already an approved licenced insulin. Insulin aspart is the category of insulin that is already approved and marketed rapid and ultra-rapid acting insulin products such as NovoRapid® and Fiasp®. In the development programme for AT247, one Phase I study 19 subjects with Type 1 Diabetes has been completed (EU) and a second Phase I study approximately 24 subjects with Type I Diabetes, with AT247 administered for three days

via an insulin pump is planned to commence in 2021 with sites in the United States. A type B pre- IND meeting was held with the FDA in May 2020 to ensure a complete IND submission for the three-day pump study in the United States. Following feedback from the FDA, the Group completed a number of small additional studies. The IND will be submitted for review by the FDA once all of the release and stability data from the clinical batch of AT247 is available, with submission expected in the second half of 2021. In the United States, the development pathway for this product will be PHS 351(a) (not the biosimilar pathway). Both clinical studies are conducted in a euglycaemic clamp setting in adult participants with Type I Diabetes and are designed to confirm the accelerated PK and PD profile of AT247 as compared to NovoRapid® and Fiasp®. A Phase II study comparing the pharmacodynamic effect of AT247 with Fiasp® when administered via a pump over six weeks is planned to commence in 2022. This Phase II study will enrol approximately 42 patients. It is anticipated that the data package at the end of these three studies will support the Phase III study which a partner would be required to perform in order to file AT247 for marketing approval, leading to the potential for commercialisation in 2025. Further Phase I studies in specific patient populations may be needed dependent on the patient population the partner choses to target, examples provided in the figure below. It is anticipated that a partner would perform these additional Phase I studies in parallel to the registration enabling Phase III study.

The Group has plans to partner AT247 with a larger pharma company for Phase III, eventual BLA/MAA submission and subsequent market launch.

AT278 is also a novel formulation of existing insulin aspart. A Phase I PK and PD study of AT278 in 38 adults with Type I diabetes in a euglycaemic clamp setting is ongoing with results expected to be available towards the end of 2021. A second Phase I study evaluating the PK and PD profile of AT278 when administered via an insulin pump is planned for 2022. It is anticipated that AT278 will follow a similar development pathway to AT247.

The accelerated clinical development pathway for AT247 and AT278



7.6. ***Accelerated development: Specialty Hospital Products***

Arecor is developing a number of specialty hospital products, including two under licencing partnership with Hikma (see Section 4.3.2 of Part I of this document). All of the products are re-formulations of an existing, approved medicine where the aim of the re-formulation is to develop RTU and RTA medicines that have the potential to provide a safer, more convenient and immediate treatment options.

For example, AT282 is a novel formulation of an already marketed product that is only available as a lyophilised powder that needs to be re-constituted before use. AT282 is being developed as a stable, liquid concentrate and so is referred to as a RTU product.

Arecor is responsible for optimising the AT282 novel formulation and demonstrating that it meets the required stability criteria. The final formulation will then be transferred to Hikma (partner company for AT282), which is expected to occur during 2021. Hikma will generate all data required for regulatory

submission and approval in its territories, including the United States. These studies will be fully funded by Hikma.

As a reformulation of an existing product, Karios expects that AT282 and our other specialty hospital products will be approved under the abbreviated US Food and Drug Administration's 505(b)(2) regulatory pathway and in the EU under the Directive 2001/83/EC Hybrid pathway.

These pathways are abbreviated as evidence of safety and clinical efficacy has been generated for the original products, which may be relied upon in the regulatory application for marketing authorisation for Arecor's specialty hospital products, meaning in many cases, further clinical studies may not be required. This in turn, may allow for a reduced development time and cost to marketing authorisation. At this time, it is assumed by the Directors that clinical studies will not be required for the products being developed in the Group specialty hospital products franchise.

8. Details of the Directors and Senior Management

8.1. *Board of Directors*

Andrew John McGlashan Richards, CBE, FRSC, Ph.D. (*Non-Executive Chairman, aged 61*)

Andrew Richards joined the board of Arecor Limited in 2008 and is an established biotechnology entrepreneur and investor with extensive experience from the UK biotechnology sector in research, drug development, commercial deals and scale-up of companies. He is the Chairman of Congenica Ltd, Abcodia Ltd, Ieso Digital Health Ltd and Closed Loop Medicine Ltd as well as being a director of Owlstone Medical Ltd, Cancer Research Technology Ltd (the commercial board of Cancer Research UK) and The Scale-Up Institute. He is a council member of the UK Medical Research Council.

Andrew is a Cambridge graduate with a Ph.D. in enzyme chemistry and was a founder of Chiroscience in 1992 and an Executive Director through to the Celltech deal in 1999. Andrew has a track record as a founder, active investor in and director of more than 25 innovative healthcare and life-science companies, including Vectura plc and Arakis Ltd. He has experience as a board director for several public companies, including Chiroscience plc, Vectura plc, IXICO plc and Silence Therapeutics plc.

Sarah Jennifer Howell, Ph.D. (*Chief Executive Officer, aged 45*)

Sarah Howell was appointed Chief Executive Officer of Arecor in 2015, having joined in 2011 as Chief Operating Officer and Executive Director. During her time at Arecor she has led the transformation of the business into a successful clinical stage biotechnology company. Sarah has a background in clinical and commercial pharmaceutical product development, manufacture, supply and licensing across a range of product types and therapeutic areas. She has served in a number of senior roles in the pharmaceutical industry, including Vice President CMC & Technical Development at BTG Plc., and Director of Outsourced Manufacturing at UCB-Celltech.

Sarah holds a BSc in Chemistry from the University of Birmingham and a Ph.D. in Physical Organic Chemistry from the University of St Andrews.

Susan Day Lowther (*Chief Financial Officer, aged 61*)

Susan Lowther was appointed Chief Financial Officer and Company Secretary at Arecor in 2019. She brings significant financial leadership experience across a broad range of public and private life science companies. Susan joined Arecor from IXICO plc, an imaging contract research organisation where she defined the financing strategy and raised growth capital taking the company on a path to profitability. Previously, she was Chief Financial Officer at Novacyt S.A. where she oversaw the acquisition of Lab21 Limited, CFO at BioWisdom Limited, who were acquired by Instem Plc, and Finance Director of RiboTargets Limited, from start-up until its acquisition by Vernalis plc.

Susan's life-sciences career started at Celltech Group plc and included Head of Finance at Lonza Biologics (previously Celltech Biologics). As part of the leadership team, she was responsible for finance, HR, IT and facilities functions in the US and UK.

Susan has been a member of executive boards since 1997 and a Fellow of the Chartered Institute of Management Accountants since 2003.

Alan Edward Smith, CBE, FRD, Ph.D. (*Non-Executive Director, aged 75*)

Alan Smith is the former Senior Vice President and the Chief Scientific Officer of Genzyme Corporation, Cambridge MA, where he had overall responsibility for the company's science. Prior to its acquisition by Genzyme in 1989, Alan was the Vice President and Scientific Director of Integrated Genetics, a start-up biotechnology company. From 1980-84 he was head of the biochemistry division at the National Institute of Medical Research, Mill Hill, London. Presently, Alan sits on the Scientific Advisory Boards of Pharnext, a genomics company in Paris, France and he is on the Board of Directors of Candel Therapeutics (formerly Advantagene), an immune-oncology company in Needham MA.

Alan has published extensively on the genetic code and protein synthesis, tumour virology, cell biology and cystic fibrosis. He holds a B.A. from Christ's College, Cambridge and a Ph.D. from the Laboratory of Molecular Biology, Cambridge, England. He is a fellow of the Royal Society of London and of Christ's College.

Mohammad Sohail ("Sam") Fazeli, Ph.D. (*Independent Non-Executive Director, aged 56*)

Sam Fazeli has served as a member of the Arecor Board of Directors since September 2017 and brings over twenty-one years of experience of conducting equity research as a pharmaceutical analyst, working at firms including Nomura International and HSBC. Currently, he is Director of EMEA Research and Senior Pharmaceutical Analyst at Bloomberg Intelligence in London, where he specialises in global pharmaceuticals.

Prior to joining Bloomberg in 2010, Sam worked at Piper Jaffray, Ltd. as a pharmaceutical analyst and head of European research. Before transitioning to investment banking, he was a research scientist for seven years. Sam has been ranked a top analyst by both the UK and Pan-European Extel surveys.

He holds a degree from Cardiff University, and a Ph.D. in pharmacology from the University of London.

Christine Helen Soden (*Independent Non-Executive Director, aged 63*)

Christine Soden is an experienced CFO who brings significant experience in the commercialisation of innovative technology to the Board. She has a strong track record of leading innovative private and public biotechnology, life science and pharmaceutical companies, both private and public.

From 2015-2020 Christine was CFO and Company Secretary of Acacia Pharma Group plc, a public quoted provider of pharmaceutical products designed to improve the outcomes and recovery for surgical patients. Prior to that role, Christine served as CFO and then non-executive Director of AIM-listed Electrical Geodesics, Inc., which was acquired by Philips NV in 2017. Other CFO and finance leadership roles include Optos plc, BTG plc (former FTSE250 constituent), Oxagen Limited and Celltech Chiroscience Group plc, having started her life-sciences career as Financial Controller of Medeva plc.

Christine is a non-executive director of Elementis plc, the Cell and Gene Therapy Catapult, Fertility Focus Limited and Futurenova Limited and has previously served as chair of the audit committee at e-therapeutics plc, an AIM listed technology-based drug discovery platform from 2017 to February 2020 and at Provalis plc, a quoted healthcare business from 2000 to 2005.

Christine is a Chartered Accountant and holds a degree in Mathematics from the University of Durham.

Jeremy Lewis Morgan (*Independent Non-Executive Director, aged 57*)

Jeremy Morgan is an experienced Pharmaceutical General Manager, having been responsible for product development and market access, as well as commercial strategy development and product launches at a national, regional and global level.

Jeremy was Vice President of Diabetes, International, for Eli Lilly & Company from 2014-2017, leading and developing individuals and teams across Europe, Japan, Canada and Australia and working across functions, geographies and products. From 2018-2019 Jeremy served as Chief Operating Officer at market access and reimbursement specialists PHMR Limited, where he was also Non-Executive Chairman from 2019-2020. He is currently Senior Vice President, Commercial, for Kyowa Kirin International plc.

Jeremy completed a Senior Executive Programme in General Management from London Business School and holds a BSc (Hons) in Applied Biology from Coventry University.

8.2. ***Senior management***

Biographies of the Company's senior management and details of their roles are set out below:

Dr Jan Jezek, Ph.D. (*Chief Scientific Officer*)

Jan Jezek has been Chief Scientific Officer of Arecor since 2007 and has led R&D for the proprietary protein stabilisation technologies of the company's Arestat™ platform and their application to commercial therapeutic products. Jan is responsible for R&D activities, platform development and IP strategy.

Previously, he was a Principal Scientist at Insense Limited, a spin-out from Unilever, where he was responsible for the development of novel medical devices, taking them from concept to market.

Jan holds a joint Doctorate from the University of Bedfordshire and the University of Chemical Technology, Prague. He is a member of the Scientific Advisory Board of the Centre of Excellence in Biopharmaceuticals (University of Manchester) and is an active member of the Formulation Science & Technology Group (FSTG) at the Royal Society of Chemistry and the Biopharmaceutical Group at the Academy of Pharmaceutical Sciences (APS).

David James Gerring – (*VP Development*)

David Gerring was appointed VP, Development at Arecor in 2020, having joined as Development Director in 2013. David's responsibilities include scientific strategy, project management, facilities, health & safety, grants and internal product development management.

Prior to Arecor, David was Analytical and Process Development Manager at BTG plc and has held Senior Scientist roles at Immunocore and Emergent BioSolutions and his experience includes five years at UCB where he was QA Manager.

Fiona Jane Lawrence (*VP Clinical Development, Regulatory Affairs and Quality*)

Fiona Lawrence is a pharmaceutical research and development professional and, as VP, Clinical & Regulatory Affairs and QA at Arecor, she has responsibility for driving the clinical development of Arecor's proprietary portfolio. She has experience from across the biotechnology, pharmaceutical, public and not-for-profit/charitable sectors. Previously, she was Director of Research and Clinical Development at Duchenne UK with responsibility for developing the research strategy for the charity. She spent five years at BioMarin and Prosensa in Leiden, working as Senior Clinical Research Manager and four years as Commercial Trials Manager at Cambridge University Hospitals.

Fiona holds an M.Sc. in Pharmaceutical Medicine from the University of Surrey and a B.Sc. in Pharmacology from the University of Bath.

James ("Jim") Edward MacDonald-Clink (*VP Business Development*)

Jim MacDonald-Clink joined Arecor in November 2019 as VP, Business Development. Jim has over 25 years' experience in healthcare, having previously worked at Mundipharma, where he was responsible for Business Development and established the biosimilar platform and oncology strategy via acquisition and licensing agreements. He also held roles at Astellas Pharma and Fujisawa. His experience includes various roles in R&D, Medical and Commercial functions.

Jim holds a degree in Medicinal Chemistry.

9. Historical Trading

The following financial information for Arecor Limited for the two years ended 31 May 2019, the seven months ended 31 December 2019 and the year ended 31 December 2020 has been derived from the financial information contained in Section B of Part IV of this document prepared in accordance with IFRS, and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Revenue	1,350,046	747,672	1,103,077	1,697,593
Gross profit	1,350,046	747,672	1,103,077	1,697,593
Other operating income	585,966	898,331	345,298	452,456
Research and development costs	(2,329,526)	(3,085,298)	(2,079,457)	(3,936,557)
Other administrative expenses	(1,004,194)	(1,415,706)	(937,008)	(1,641,514)
Operating loss	(1,397,708)	(2,855,001)	(1,568,090)	(3,428,022)
Finance income	145	8,579	5,489	2,976
Finance expense	(28,682)	(23,976)	(7,625)	(87,289)
Loss before tax	(1,426,245)	(2,870,398)	(1,570,226)	(3,512,335)
Taxation	306,998	435,090	293,001	759,968
Loss for the financial year	(1,119,247)	(2,435,308)	(1,277,225)	(2,752,367)
Basic and diluted loss per share (£)	(0.68)	(1.08)	(0.49)	(1.02)

10. Current Trading and prospects

Trading in 2021 continues to be encouraging and is in line with management expectations. Since 31 December 2020, the Group has continued to generate income from existing and new formulation development projects, with the potential for these studies to result in new licence opportunities (Technology Partnerships).

Further development of the insulin programme, AT247, is underway and is entering a key phase with the forthcoming Phase II clinical trial, the results of which, if positive, could lead to a significant licencing event. This programme will be supported by the proceeds from the Biomedical Catalyst grant of £2.8 million from Innovate UK, which will be recognised as revenue over 31 months from March 2021, as well as the proceeds from the Placing and the convertible loan notes issued in 2021. The Group's second insulin programme, AT278, is expected to complete its Phase I study in 2021.

The Group is also continuing to develop its portfolio of specialty hospital products to a partner ready stage and the Directors' believe there is the potential for some licence income in the current financial year from the Group's already partnered products as they progress through development.

The Group's operations have not been significantly impacted by the COVID-19 pandemic. The Directors are confident that at this time of huge economic uncertainty, the Group has a stable cash position and all necessary actions have been taken to protect the business from the impact of the COVID-19.

The Group continues to evaluate new opportunities and the Directors believe that the Group's growth prospects remain strong.

11. Reasons for Admission, the Placing and use of proceeds

The Placing Shares will be issued by the Company pursuant to the Placing, representing approximately 31.97 per cent. of the Enlarged Share Capital and raising approximately £18.26 million for the Company net of estimated expenses of £1.74 million to the Company. The net proceeds of the Placing will be used for the following programmes and purposes:

- **Progress lead diabetes products:**
  - AT247 clinical studies 103 and 105 and CMC and toxicology studies required to support the clinical trial approvals to conduct these clinical studies
  - AT278 clinical studies 102 and 104 and CMC and toxicology studies required to support the clinical trial approvals to conduct these clinical studies

- AT299 non-clinical PK/PD and CMC to Phase I clinical ready

- **Specialty Hospital RTU/RTA products:**
  - Develop to partner ready stage
  - Expand pipeline with the addition of new proprietary products

- **Building the team:**
  - Including product development, clinical and commercial resources

- **Working capital and balance sheet strength**

Panmure Gordon has, as agent for the Company pursuant to the Placing Agreement, conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Shares will be placed with institutional investors introduced by Panmure Gordon. Of those Placing Shares, a number will be EIS/VCT Placing Shares, and the Placing will be conducted in two tranches over two business days to assist investors in the EIS/VCT Placing to claim EIS Relief or VCT Relief (as applicable). The EIS/VCT Placing Shares will be issued to the relevant Placees on 2 June 2021, being one business day prior to the anticipated date of Admission and the issue of the General Placing Shares, so that investors in the EIS/VCT Placing will be able to benefit from these tax advantages. The EIS/VCT Placing and the issue of the EIS/VCT Placing Shares shall not therefore be conditional upon Admission or on the issue of any other new Ordinary Shares under the General Placing.

The General Placing however, is conditional, *inter alia*, on Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by no later than 8.00 a.m. on 3 June 2021 or such later date (being no later than 24 June 2021) as the Company and Panmure Gordon may determine.

The Placing is subject to certain conditions, further details of which can be found in Part VII of this document. The Placing Agreement also contains provisions entitling Panmure Gordon to terminate the Placing prior to Admission becoming effective, in certain circumstances. If (i) any of the conditions are not fulfilled, or where permitted, waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and Panmure Gordon may agree (not being later than 8.00 a.m. on 3 June 2021), or (ii) Panmure Gordon's right to terminate the Placing Agreement is exercised, the Placing will lapse.

If the Placing lapses for any reason, the rights and obligations of the Placees shall (save where the Placing lapses after the issue of the EIS/VCT Placing Shares but prior to Admission) cease and terminate from such time and all monies received from the Placee pursuant to the Placing shall be returned to the Placee without interest, at the risk of the relevant Placee and no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof. If the Placing lapses after the unconditional issue of the EIS/VCT Placing Shares but prior to Admission, all obligations and liabilities owed by the Placees who have been issued with EIS/VCT Placing Shares will survive lapse of the Placing and any monies received from such Placees will not be returned to them and no claim can be made by or on behalf of such Placees (or any person on whose behalf the Placee is acting) in respect thereof.

The Placing has not been underwritten by Panmure Gordon. Further details of the Placing Agreement can be found at paragraph 6.1 of Part VI of this document.

The Directors believe that Admission will be an important step in the Group's development and will assist the Group by raising its public profile, widening its shareholder base, providing potential future access to development capital to progress its current and future internal pipeline of proprietary products and enabling it to expand within its chosen therapy areas to expand its commercial partnerships. It will also provide the Group with the ability to incentivise its employees through share incentive plans, which should assist it in continuing to attract, retain and motivate high calibre employees.

12. Corporate Governance

12.1. *QCA code*

The Directors acknowledge the importance of high standards of corporate governance and intend to comply with the principles set out in the Corporate Governance Code issued by the QCA, to the extent that the Board considers appropriate for a business of the Company's size and nature.

Full details of how the Company intends to comply with the QCA Code, from Admission, are detailed in Part V of this document. The QCA Code sets out a minimum best practice for small and midsize quoted companies, particularly AIM Companies.

On Admission, the Board will comprise seven Directors (two Executive Directors and five Non-Executive Directors), reflecting a blend of different experiences and backgrounds. Christine Soden, Jeremy Morgan and Sam Fazeli are regarded as independent.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, performance and corporate actions.

12.2. *Audit and Risk committee*

The Audit and Risk Committee will assist the Board in discharging its responsibilities, within agreed terms of reference, with regard to corporate governance, financial reporting, external and internal audits and controls. This includes, amongst other things, reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors, and reviewing the effectiveness of the Company's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. Membership of the Audit and Risk Committee comprises Christine Soden, Jeremy Morgan and Sam Fazeli and it is chaired by Christine Soden. The Audit and Risk Committee will meet formally not less than three times every year and otherwise as required.

12.3. *Remuneration committee*

The Remuneration Committee is responsible, within agreed terms of reference, for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Executive Directors and such other members of the executive management of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. No Director may be involved in any decision as to their own remuneration. Membership of the Remuneration Committee comprises Jeremy Morgan, Alan Smith, Christine Soden and Andrew Richards, and the committee is chaired by Jeremy Morgan. The Remuneration Committee will meet not less than three times a year and at such other times as the chairman of the committee shall require.

12.4. *Nomination committee*

The Nomination Committee is responsible within agreed terms of reference, with regard to the structure and composition of the board and its committees taking into account the balance of skills and diversity. This will include consideration of the appointment and succession planning of Executive and Non-Executive directors. The membership of the Nomination Committee comprises Andrew Richards, Christine Soden, Jeremy Morgan, Alan Smith and Sam Fazeli. The committee is chaired by Andrew Richards. The Nomination Committee will meet formally not less than one time every year and otherwise as required.

12.5. *Share dealing policy*

The Company has adopted, with effect from Admission, a share dealing policy 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 for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

13. Dividend Policy

The declaration and payment by the Company of any future dividends on the Ordinary Shares will depend on the results of the Company's operations, its financial condition, cash requirements, investment plans, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Board has no current intention of paying a cash dividend to Shareholders as the Board currently intends to invest the Company's cash reserves and any cash generated into business growth, and will consider declaring a dividend only when prudent to do so and in the context of the cash generated by the business. It is the Board's intention, should the Company generate a sustained level of distributable profits, to consider a progressive dividend policy in future years.

Declaration of dividends will always remain subject to all applicable legal and regulatory requirements and recommendations of final dividends and payments of interim dividends will be at the discretion of the Board. The Board will not exercise such discretion where it is not commercially prudent to do so. Whilst the Board considers dividends as the primary method of distributing profit to shareholders, it may, at its discretion, consider share purchases, when advantageous to shareholders and where permissible. The Company may revise its dividend policy from time to time.

14. Share Incentive Plan

The Directors consider that the Group's employees play a key role in the Group's success and it is therefore important that the Group is able to continue to recruit, retain and motivate high-calibre employees in the future. The Directors consider that share incentive arrangements which give employees the opportunity to take a financial interest in the Company are an effective way of achieving this objective.

Arecor Limited currently operates an EMI share scheme, the Plan, under which certain directors and employees of the Group hold unexercised options over a total of 337,434 ordinary shares of £0.01 each (as further detailed at paragraph 9 of Part VI of this document). Options granted under the Plan have an exercise price of £0.01 and vest over a three year period. The Directors have resolved to allow such options to continue to vest in accordance with their existing vesting schedule after Admission. The last grant of options under the Plan took place on the 3 November 2020 and, consequently, all options granted under the Plan will have vested and become fully exercisable by the 3 November 2023. In connection with the Share and CLN Exchange Agreement, Arecor Optionholders will be given the opportunity to participate in the Option Rollover as detailed in paragraph 9.3 of the Part VI of this document. As detailed in paragraph 9.2 of Part VI of this document, no further grants will be made under the Plan other than in respect of the Option Rollover. The interests of the Directors in the Plan are set out in paragraph 7.3 of Part VI of this document.

On or around the date of Admission, the Company will adopt a new Long Term Incentive Plan and All-Employee Share Option Plan (as further detailed in paragraphs 9.1, 9.4 and 9.6 of Part VI of this document), each to be operated at and following Admission. Under the rules of those plans, the Directors are permitted to grant options over Ordinary Shares provided that no award may be made if it would result in the aggregate number of Ordinary Shares allocated under the Company's share incentive plans exceeding ten per cent. of the ordinary share capital of the Company in issue at that time.

On Admission, the Company intends to grant options to executive directors and employees pursuant to the LTIP and AESOP. Further details of the awards proposed to be granted under the LTIP and AESOP are set out in paragraphs 9.4 and 9.5 of Part VI of this document.

15. Lock-in and Orderly Market Arrangements

The Directors and certain existing Shareholders have undertaken to the Company and Panmure Gordon not to dispose of any interests in Ordinary Shares owned by them (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer of the entire issued share capital of the Company) for a period of 12 months from Admission.

Such undertakings are in place in respect of 17,101,381 Ordinary Shares in total, representing 61.77 per cent. of the Enlarged Share Capital. The Directors and certain existing Shareholders have also undertaken

for a further 12 months thereafter, to, other than in agreed circumstances, effect all sales, transfers or other disposals of their Ordinary Shares through Panmure or such other person may be the broker of the Company from time to time, with a view to maintaining an orderly market in the Ordinary Shares.

Further details of these arrangements are set out in paragraph 6.3 of Part VI of this document.

16. Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 3 June 2021. The Ordinary Shares will be in registered form. 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.

The ISIN number of the Ordinary Shares is GB00BMWLM973.

For more information concerning CREST, Shareholders should contact their own stockbroker or Euroclear UK & Ireland.

17. EIS and VCT

The Company received advance assurance on 14 April 2021 from HMRC that it is a qualifying company for the purposes of the EIS ("**EIS Advance Assurance**"). Accordingly, the Company expects HMRC to authorise the Company to issue compliance certificates under section 204(1), ITA 2007 in respect of the EIS Shares to be issued, following receipt of a form EIS1 satisfactorily completed following the issue of shares to investors seeking EIS Relief for their investment. As of 2 January 2018, HMRC can no longer consider VCT advance assurance applications where the details of the potential qualifying holding are not given.

The Directors believe that the EIS/VCT Placing Shares should be eligible (subject to the circumstances of investors) for tax reliefs under EIS Legislation and as a qualifying holder for VCTs. The Directors are not aware of any subsequent change in the qualifying conditions or the Company's circumstances that would prevent the EIS/VCT Placing Shares from being eligible VCT and EIS investments on this occasion. However, neither the Directors nor the Company gives any warranty or undertaking that relief will be available in respect of any investment in EIS/VCT Placing Shares pursuant to this document or the Placing, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status.

Investors considering taking advantage of EIS Relief or making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances. Any Shareholder who is in any doubt as to his taxation position under the EIS Legislation and VCT Legislation, or who is subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

18. Taxation

Your attention is drawn to the taxation section contained in paragraph 12 of Part VI of this document. These details are, however, only intended as a guide to the current taxation law position in the UK. If you are in any doubt as to your tax position, you should consult your own independent financial or tax adviser immediately.

19. Takeover Code

The Takeover Code applies to the Company. Under the Takeover Code, when (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (ii) any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights,

and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company. An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Further information on the provisions of the Takeover Code is set out in paragraph 4 of Part VI of this document.

20. Risk Factors

Prospective investors should consider carefully the risk factors described in the section headed "Risk Factors" and set out in Part II of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Ordinary Shares.

21. Further Information

Your attention is drawn to the further information set out in Parts II to VI of this document which provides further information on the Company.

PART II

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Group is exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the shares may decline and an investor may lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Group's operations will occur or that the commercial objectives of the Group will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

RISKS RELATING TO THE GROUP

Early stage of operations

The Group is a development stage biopharmaceutical group and has a relatively limited operating history on which to assess its business. It has incurred losses over the last several years and the Directors anticipate that it will continue to incur losses whilst it develops it products to a defined value inflexion point. The Directors do not expect to achieve any marketing authorisations for the Group's proprietary diabetes portfolio lead candidates before 2025 at the earliest. This remains subject to successful future clinical trials and entering into partnership agreements to develop the products through late phase clinical development and to commercialisation. Consequently, whilst the Group has entered into collaboration and licensing agreements in relation to other products (including those for which third parties are responsible for the continued clinical development and commercialisation of the product which the Directors believe provide important validation of the Group's technology and has provided the Group with initial milestone payments), the Group has limited commercial operations upon which to evaluate its business. In relation to the Group's existing partnered products, it is unlikely that one of these products will receive any marketing authorisations before 2023. Predictions about the Group's future success or viability may not be as accurate as they could be if it had a history of successfully developing and commercialising pharmaceutical products.

Since inception, the Group has incurred operating losses and has devoted most of its financial resources to research and development activities to develop its internal proprietary product portfolio, developing its

Arestat™ technology platform and product candidates, conducting clinical trials and providing general and administrative support for those operations to build its business infrastructure. To date, the Group has financed its operations primarily through private placements of equity securities and convertible debt, together with grant funding. The amount of its future net losses will be significantly influenced by the level of future milestone payments received by the Group pursuant to its existing and future partnership and technology licencing agreements. There is no guarantee that products which are subject to licensing agreements with third party partners will continue to be successfully developed or that future milestone payments will be triggered. The level of losses incurred by the Group will also depend, in part, on the rate of its future expenditures and its ability to obtain funding through equity or debt financings, strategic collaborations and grant funding in the future. To become and remain profitable, the Group must develop and eventually commercialise one or more of its product candidates with significant market potential or receive licence income that exceeds the Group's operating costs.

Biotechnology and pharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. Even if the Group or the Group's partners obtains regulatory approval to market a product candidate, the Group's future revenue will depend upon the size of any markets in which its product candidates may receive approval and its ability to achieve market acceptance and adequate market share for its product candidates in those markets.

The Directors expect the Group to continue to incur significant expenses, in line with its business strategy as it:

- continues research, non-clinical and clinical development of its product candidates, including advancing the clinical development of its diabetes portfolio through further clinical trials and increasing the number and size of its current clinical trials and pre-clinical studies;
- continues investment in its Arestat™ technology platform;
- seeks to identify, assess and develop additional internal proprietary product candidates;
- changes or adds manufacturers or suppliers including those involved in scale-up;
- seeks to partner its internal proprietary products and to enable its partner to seek regulatory approvals for the licenced partnered product candidates that successfully complete clinical trials (any failure to obtain regulatory/marketing approvals within any anticipated timeframes may further increase costs);
- seeks to maintain, protect, defend and expand its intellectual property portfolio;
- seeks to attract, hire and retain skilled personnel (and incentivise them through appropriate remuneration packages);
- creates additional infrastructure to support its operations as a company whose securities are admitted to trading on AIM and its product development and planned future commercialisation efforts; and
- experiences any delays or encounters issues with any of the above, including, but not limited to, any failed pre-clinical studies, failed clinical batch manufacture or clinical trials, complex results, safety issues or other regulatory challenges that may require either longer follow-up of existing pre-clinical studies or clinical trials or limitation of additional pre-clinical studies or clinical trials required for regulatory approval.

Further, the net losses that the Group may incur may fluctuate significantly from financial period to financial period, such that a period-to-period comparison of the Group's results of operations may not be a good indication of its future performance. Moreover, if the Group incurs substantial losses, it could be liquidated, wound-up or enter into administration, and the value of the Ordinary Shares might be significantly reduced or be of no value.

Research and product development

The Group applies its innovative proprietary formulation technology platform, Arestat™, to develop an internal portfolio of proprietary products, as well as working with pharmaceutical and biotechnology companies to deliver enhanced reformulations of their partners' therapeutic products, supported by an extensive patent portfolio. There is a risk that this approach may not work for a given product or target which may mean the Group is unable to develop an enhanced version of an existing therapeutic product. For internal proprietary products, the consequence for the Group would be cessation of the internal research and development

programme and resulting costs, and the loss of the future licensing opportunity. For partnered programmes, the consequences would be reputational risk and the associated financial implications through the loss of the opportunity to earn milestone payments and/or royalties. In addition, where the target is to develop a stable co-formulation of two drugs, as is the case with AT299, additional complexity is added which may mean that the Group is unable to develop a co-formulation that meets the necessary Target Product Profile, it may have to follow a more complex development pathway than it had originally expected, or the programme may need to be terminated.

Approval of the Group's products

The international pharmaceutical industry is highly regulated by governmental authorities in the UK, the US and Europe and by regulatory agencies in other countries where the Group intends, through its licence partners, to market products and where its customers and partners operate. No assurance can be given that any of the Group's or its partners' products (under Technology Partnerships) will successfully obtain regulatory approvals to market these products in UK, the US, Europe or elsewhere. The time taken to obtain regulatory approval varies between territories and no assurance can be given that any of the Group's products will be approved in any territory within the timescale envisaged, or at all or that the regulations may not change during the period of development. The Group has assumed that a number of its internal proprietary products can be approved under the abbreviated regulatory pathways, however no assurance can be given in respect of accelerated clinical development. The Group or its partners may have to conduct additional clinical studies to meet the regulatory requirements, which may be different in different countries of the territory. This may result in additional costs, a delay to, or make impossible, the use of the Group's products for the Group's intended purposes, and may have an adverse effect on the Group's business.

Even if the Group or its partners receives regulatory approval for the Group's proprietary products or Technology Partnership products, regulatory agencies could require the Group or a partner to conduct post-marketing trials. Regulators will undertake periodic reviews and inspections. If they discover previously unknown problems with a product or its manufacturing process or if the Group or its partners fails to comply with regulatory requirements, regulators could:

- impose fines against the Group;
- impose restrictions on the product, its manufacturer, its commercial partner or the Group;
- require the Group or collaborator to recall or remove a product from clinical use;
- suspend or withdraw its regulatory approvals;
- require the Group to change its product labelling; or
- require the Group or its collaborator to withdraw and amend its marketing and promotional materials for a product. If any of these events occur, the ability to licence its products will be impaired and the Group may incur substantial additional expense to comply with the regulatory requirements.

Delays or unexpected issues with obtaining regulatory approvals for the Group's products and partnered products will have a material impact on the financial position and prospects of the Group.

Commercial agreements with certain partners and collaborators

The Group's late stage development and commercialisation strategy is largely dependent on working with third party partners under collaboration and licensing agreements. These agreements include possible revenue generation by the Group from milestone payments (including upfront, clinical, development and commercialisation milestones) as well as product royalties following commercialisation and sales of products. The timing and likelihood of receiving milestones and royalties from partners may be outside of the control of the Group and is subject to continued development of the products by the partners. The majority of the Group's revenues are currently, and will in the future be, derived from licensing or collaboration agreements with other biopharmaceutical and pharmaceutical companies. The Group's success is dependent on these existing commercial arrangements and on similar arrangements for future exploitation of products in development that have not yet been partnered. Where the Group has licenced an internal proprietary product to a partner (as is the case with two of its Specialty hospital care products to Hikma) and under its Technology Partnerships licensing (where Arecor has developed a novel formulation of its partners proprietary product, which the partner has licenced for further development and commercialisation), the Group's partners have substantial responsibility for some of the development and commercialisation of the products

under licence. Certain of the Group's partners also have significant discretion over the resources they devote to these efforts. The Group's success, therefore, will depend on the ability and efforts of those third parties. The Group cannot guarantee that these partners will devote sufficient resources to collaborations with the Group or that the Group's product candidates can be developed and commercialised without these collaborators. In addition, there can be no assurance that any company that enters into agreements with the Group will not pursue alternative technologies, either on its own or in collaboration with others, including the Group's competitors, as a means of developing treatments for the conditions targeted by those products which the Group has licenced. Some of the Group's collaboration agreements are contracted, and are likely to be contracted in the future, with partners who are in strong negotiating positions and who have greater financial resources than the Group. Whilst the Group seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances, a number of existing contracts contain, and the Directors expect that future contracts will contain, what may be considered potentially onerous terms for the Group, such as (in some cases):

- on-demand termination;
- uncapped indemnities;
- warranties; and
- broad confidentiality restrictions (in terms of scope and time).

In the event that the Group's products or those of its partners which are subject to a licence from the Group do not continue to develop or reach commercial launch, or the Group or its partner is in material breach of a contract, including a change of control, that leads to termination of that contract, or if the partner exercises its right to terminate a licencing arrangement at will, the Group will not receive expected milestone or royalty or other income, which may have a material adverse impact on the Group.

Commercial success not guaranteed

There can be no assurance that any of the Group's products currently in development (including those being developed under a Technology Partnership licence or co-development and licence agreements with partners) will be successfully developed into any commercially viable product or products and/or be manufactured in commercial quantities at an acceptable cost or be marketed successfully and profitably. If the Group, or its partners, encounters delays at any stage of development, and fails successfully to address such delays, it may have a material adverse effect on the Group's business, financial condition and prospects. In addition, the Group's success will depend on the market's acceptance of its products and there can be no guarantee that this acceptance will be forthcoming or that the Group's technologies will succeed as an alternative to competing products. The development of a market for the Group's products is affected by many factors, some of which are beyond the Group's control, including the emergence of newer, more effective technologies and products and the cost of the Group's products themselves, including the availability of products for which healthcare reimbursement is available. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that the customer base of the Group's distributors for the product will purchase or continue to purchase the product. Demand for the Group's services may also decrease if government amended its policies on limiting drug costs or reimbursement practice or other healthcare reform measures within public health provision or private insurance-based models. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover the costs it may have incurred in the development of particular products and may never achieve profitable revenues from that product. In addition, the Directors cannot guarantee that the Group will continue to identify, develop, manufacture or market its products if market conditions do not support the continuation of such product.

The Company is dependent on a limited number of customers, collaborators and partners

A significant proportion of the Group's current and future income is and is anticipated to continue to be derived from third party collaborators and partners, including income from licensing income, royalty revenue, milestone payments and grants. The loss of any partner could have a negative impact on the Group's operating results and cash flows. The Group's plans for future revenue growth depend in part on the success of the Group's investments in its proprietary diabetes and specialty hospital portfolio of products, the future successful licensing to enable third parties to develop such products based on positive data from the Group's investments and the success of the product development and commercialisation programmes of such

licensees, once they have obtained licences for such products from the Group. The failure of any licensee to be successful in its product development and commercialisation programmes, or a choice by a licensee to stop a programme for commercial or strategic reasons, could have a material adverse impact on the programmes of other licensees.

Reliance on third parties

The Group has relied upon, and plans to continue to rely upon, third-party CROs to conduct and monitor and manage data for its ongoing non-clinical and clinical programmes. The Group is responsible for ensuring that each of its trials is conducted in accordance with the applicable protocol, legal, regulatory, environmental and scientific standards and the Group's reliance on CROs does not relieve it of its regulatory responsibilities. The Group, its CROs and other vendors are required to comply with current Good Manufacturing Practices ("cGMP"), current Good Clinical Practices ("cGCP") and Good Laboratory Practice ("GLP"), where applicable, which are regulations and guidelines enforced by the EMA (acting through EU competent authorities), the FDA and any other comparable regulatory agencies for all of the Group's product candidates in non-clinical and clinical development. Regulatory authorities enforce these regulations through periodic inspections of study sponsors, principal investigators, trial sites and other contractors. Whilst the Group has not experienced any failures in this respect in the past, if the Group, or any of its CROs or vendors, fails to comply with applicable regulations, the data generated in the Group's non-clinical and clinical trials may be deemed unreliable and the EMA, FDA or any other comparable regulatory agency may require the Group to perform additional non-clinical and clinical trials before approving its marketing applications. There can be no assurance that, upon inspection by a given regulatory authority, such regulatory authority will determine that all of the Group's clinical trials comply with cGCP regulations. In addition, the Group's clinical trials must be conducted with products produced under cGMP regulations. The Group's failure to comply with these regulations may, among other consequences, require it to repeat clinical trials, which would delay the regulatory approval process.

The Group's business involves, or may involve, the controlled use of hazardous materials, chemicals and biological compounds. Substantially all such use is outsourced to third-party CRO manufacturers and clinical sites. Although the Directors believe that the Group's third-party CROs' safety procedures for handling and disposing of such materials comply with industry standards, there will always be a risk of accidental contamination or injury. The Group's CROs are not employees and, except for remedies available to the Group under its contractual arrangements with such CROs, the Group cannot control whether or not they devote sufficient time and resources to the Group's ongoing non-clinical and clinical programmes. If the Group's CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to the Group's protocols, regulatory requirements or for other reasons, the Group's clinical trials may be extended, delayed or terminated, and the Group may not be able to obtain regulatory approval for, or successfully commercialise, its product candidates.

The Group's CROs may also generate higher costs than anticipated. As a result, the Group's results of operations and the commercial prospects for its product candidates would be harmed, its costs could increase and its ability to generate revenues could be delayed. If any of the Group's relationships with its third-party CROs terminates, the Group may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. If the Group was unable to replace a CRO, switching or adding additional CROs involves additional cost and requires management time and focus and there is a natural transition period when a new CRO commences work. As a result, delays could occur, which could have an adverse effect on the Group's ability to meet its desired clinical development timelines. Although the Group carefully seeks to manage its relationships with its CROs, there can be no assurance that it will not encounter challenges or delays in the future.

The Group currently relies on an external contract manufacturing organisation to manufacture its drug product for use in its clinical trials further information in respect of which is set out in paragraph 4.6 of Part I of this document. The Group also sources drug ingredients for inclusion in the clinical drug product from third party manufacturers. The Group's reliance on these manufacturing suppliers exposes it to a degree of risk. There is the risk that the Group may not be able to enter into an arrangement with alternative contract manufacturers/suppliers within the notice period of its manufacturing agreements, or at all, or do so on terms which are at least as favourable as those that it currently enjoys with its current providers. Any failure to do so could result in the Group suffering delays in production of products for testing and a consequent adverse effect on the Group's ability to meet its desired clinical development timelines. Any failure by the

suppliers to manufacture products of a satisfactory quality for use in the clinical trials, or any other default in respect of their contractual obligations, could also produce similar results. Furthermore, whilst the Directors may in the future seek to expand the Group's manufacturing capabilities through the entry into contracts with other third party manufacturers at the appropriate time, there can be no assurance that the Group, should it seek to do so, will be able to agree satisfactory terms with any such third parties expeditiously or at all and any failure to do so could have an adverse effect on the Group's business, results of operations and financial performance.

The Group and its third party contract manufacturers are subject to significant regulation

Although none of the Group's product candidates (including partners' products) are currently at the commercialisation stage, all entities involved in the development of product candidates for clinical trials or commercial sale, including the Group's existing contract manufacturers, are subject to extensive regulation. Components of a finished product approved for commercial sale or for use in clinical trials must be manufactured in accordance with cGMP. These regulations govern manufacturing processes and procedures, including record keeping, and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of contaminants or to inadvertent changes in the properties or stability of the Group's product candidates that may not be detectable in final product testing. The Group, its partners or its contract manufacturers must supply all necessary documentation in support of a NDA or foreign equivalent on a timely basis and must adhere to GLP and cGMP regulations enforced by the EMA (acting through EU competent authorities), MHRA, FDA and other regulatory agencies through their facilities inspection programmes. In addition, the regulatory authorities may, at any time, audit or inspect a manufacturing facility involved with the preparation of the Group's product candidates or the associated quality systems for compliance with the regulations applicable to the activities being conducted. Although the Group oversees and monitors its contract manufacturer partners, it is unable to control the manufacturing process of, and is dependent on, it for compliance with the regulatory requirements. If it does not pass a pre-approval plant inspection, regulatory approval of the Group's product candidates may not be granted or may be substantially delayed until any violations are corrected to the satisfaction of the relevant regulatory authority. If the Group or any of its third-party manufacturers fail to maintain regulatory compliance, the EMA, FDA or another applicable regulatory authority could impose regulatory sanctions including, among other things, refusal to approve a pending application for the Group's product candidates, withdrawal of an approval or suspension of production.

Sharing proprietary information, intellectual property and trade secrets

The Group seeks to keep the identity of its specific proprietary products (particularly early-stage specialty hospital products), and most of the products being developed with partners, confidential. In addition, product formulations are kept confidential, including in certain circumstances from the Group's partners. Because the Group relies on third parties to develop and manufacture its product candidates, it must, at times, share proprietary information, intellectual property and trade secrets with them. The Group seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its third party partners, advisors, employees, sub-contractors and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose the Group's confidential information, such as trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such proprietary information, intellectual property and/or trade secrets become known by the Group's competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. If confidential target identity or formulations of proprietary products are disclosed to competitors: the Group may lose its competitive advantage and the ability to file relevant patent applications; competitors may be inadvertently enabled; and/or the future value of the Arestat™ platform and/or novel formulations of products that the Group develops may be reduced. If confidential formulations compositions are disclosed to partners without appropriate confidentiality and restricted access agreements in place, the Group may lose the ability to enter a licence agreement with the partner, particularly if these formulations are not protected by filed patents. If confidential target identity or formulation compositions pertaining to partnered programmes are disclosed without permission from the partner then the Group risks reputational damage, and in some cases a breach of contract claim.

Ability to scale up manufacturing for the Group's diabetes products

Manufacturing of the Group's diabetes portfolio products has to date been on a scale suitable for early stage clinical studies. The Group is reliant on third parties for manufacturing these products, who are able to support the manufacture of its proprietary diabetes products up to the end of the planned clinical studies (including -103, -104 and -105). Some of the third party manufacturers would be unable to manufacture the final product(s) at a scale sufficient for Phase III clinical development and commercialisation. The Group intends to partner these products prior to Phase III clinical development, however, the partner would need to identify a suitable manufacturer (internal or third party manufacturer) to support Phase III clinical development and beyond. There is no guarantee that a partner would be able to agree terms with or be able to find a suitable third party, to agree favourable economic terms for this process, or that manufacturing scale-up will be successful resulting in a suitable product being produced on a large scale. Any significant delay in the process could have an adverse impact upon the Group's business, financial condition and results from operations.

Technological changes

The biotechnology and pharmaceutical industry is subject to rapid technological change which could affect the commercial viability of the Group's Arestat™ platform and its products and make them obsolete or less competitive. The Group may be unable to successfully establish and protect their intellectual property which is significant to the Group's competitive position.

Protection of intellectual property

The Group's success and ability to compete effectively is in large part dependent upon exploitation of proprietary Arestat™ technology and enhanced products that the Group has developed internally or through Technology Partnerships, the Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of its technologies and products and those of its licensees, and its ability to preserve the confidentiality of its know-how. The Group relies primarily on patent law and contractual duties of confidence to protect its core intellectual property rights.

There can be no assurance that the scope of the Group's patents will provide the Group with a monopoly covering all its products and technologies, and technologies and/or products that solve the same problem as the Group's technologies and products by a different means. In particular, the Group may be unable to achieve patent protection for the proprietary products (novel reformulation of existing products) it develops (proprietary or partnered). This reasons for this could include: (1) the Group develops novel formulations of products that do not offer any patenting angles justifying novelty and inventive step, (2) patent applications are filed but do not achieve meaningful granted claims, (3) title issues with regards to inventions generated by employees, consultants or others, or (4) the Group's granted patents are successfully invalidated or revoked by a third party or a partner. Pre-grant, the scope of claims of the Group's patent applications may be adversely impacted by the filing by a third party of observations. Once granted, the ownership, scope or validity of a patent can be challenged both in the patent office and in the courts by third parties. Third parties may adduce material and arguments which the patent office granting the patent may not have seen.

Infringement of the Group's intellectual property

To date, the Group has also relied on copyright, trademark and trade secret laws, as well as confidentiality procedures, non-compete and/or licensing arrangements with consultants, contractors, customers and vendors, to establish and protect its rights to its technology and, to the best extent possible, control the access to and distribution of its technology, software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy, replicate or otherwise obtain and use for the benefit of third parties ,the Group's technology or confidential information without authorisation.

Policing unauthorised use of the Group's patented technologies and products is difficult and expensive. There can be no assurance that the Group has or will have the resources to pursue any infringer of its intellectual property, nor that the steps the Group takes will prevent misappropriation of, or prevent an unauthorised third party from obtaining or using, the technologies, know-how and products the Group relies on. In addition, effective protection may be unavailable or limited in some jurisdictions. Any misappropriation of the Group's proprietary technology, products and intellectual property could have a negative impact on the Group's business and its operating results. Litigation or patent office proceedings may be necessary in

the future to enforce or protect the Group's rights or to determine the validity or scope of the proprietary rights of others. Litigation or patent office proceedings could cause the Group to incur substantial costs and divert resources and management attention away from its daily business and there can be no guarantees as to the outcome of any such proceedings.

Infringement of third party intellectual property

The Group may invest significant resources into a research project (proprietary or partnered) but then discover that it infringes third party patents or other intellectual property rights. For proprietary products, this could inhibit the Group's ability to exploit its own products or result in loss of competitive advantage; both scenarios would result in loss of potential future revenues. For partnered technology, this could result in the partner not exercising the licence option or terminating a licence, leading to loss of future revenues. It could also result in reputational damage.

Where the Group identifies a specific third party patent or patent application of potential concern, it may choose to initiate oppositions or another form of third-party patent invalidation on an anonymous or open basis, to seek to revoke or narrow this patent to avoid an infringement risk. Such proceedings could result in substantial costs and a diversion of efforts, with no guarantee of success.

If the Group is accused of infringing a third party's intellectual property rights, it may have no option other than to defend the allegation. Negotiations may not be successful, leading to a legal action and potentially a full trial. A negotiated settlement or an adverse outcome in court could leave the Group subject to significant liabilities, and/or require the Group to cease using a technology or to pay licence fees (both prospectively and retrospectively). The Group could incur substantial costs in any litigation or other proceedings relating to alleged infringement, even if it is resolved in the Group's favour. If the proceedings were in the US, the basic rule is that each party is responsible for its own costs. By contrast, the rule in respect of English proceedings is that the loser pays the winner's costs, although generally there will be significantly less than 100 per cent. recovery of costs from the losing side. Some of the Group's competitors may be able to sustain the costs of complex litigation more effectively or for a longer time than the Group can because of their substantially greater resources. In addition, uncertainties or threatened or actual disputes relating to any patent, patent application or other intellectual property right (including confidential information) could have a material adverse effect on the Group's ability to market a product, enter into collaborations in respect of the affected products, or raise additional funds.

The Group's business faces competition from a range of pharmaceutical and biotechnology companies

The Group's competitors in the biotechnology and pharmaceutical industries may have superior research and development capabilities, products, manufacturing capability or sales and marketing expertise. Many of the Group's competitors may have significantly greater financial and human resources and may have more experience in research and development. As a result, the Group's competitors may develop safer or more effective products, implement more effective sales and marketing programmes or be able to establish superior proprietary positions. In addition, the Group anticipates that it will face increased competition in the future as new companies enter the Group's markets and alternative products and technologies become available.

The Group's counterparties may become insolvent

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

Dependence on key executives and personnel

The Group's future development and prospects depends to a significant degree on the experience, performance and continued service of its senior management team including the Directors. The Group has invested in its management team at all levels. The Directors also believe that the senior management team

is appropriately structured for the Group's size and is not overly dependent upon any particular individual. The Group has also entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares.

Ability to recruit and retain skilled personnel

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring any additional personnel and replacements could be costly and might require the Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results, and there can be no assurance that the Group will have sufficient financial resources for this purpose. Effective product development and innovation, upon which the Group's success is dependent, is in turn dependent upon attracting and retaining talented technical and scientific personnel, who represent a significant asset and serve as the source of the Group's technological and product innovations. If the Group is unable to hire, train and retain such personnel in a timely manner, the development and introduction of the Group's products could be delayed and its ability to sell its products and otherwise to grow its business will be impaired. Such delay and inability may have a detrimental effect upon the performance of the Group.

Ability to achieve business strategy

The Group's future growth, profitability and cash flows depend on its ability to successfully implement its business strategy, which is given in paragraph 4 of Part I of this document. There can be no assurance that the Group will successfully achieve any or all of its initiatives in the manner or time period that it expects. Further, achieving these objectives will require investments which may result in short-term costs without generating any current net revenue and, therefore, may be dilutive to the Group's earnings, at least in the short term. In addition, the Group may decide to streamline operations and incur other costs or special charges in doing so. The Group cannot give any assurance that it will realise, in full or in part, the anticipated strategic benefits it expects its strategy will achieve. The failure to realise those benefits could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in applicable laws and regulations

The UK, the EU, the US and other national governments may pursue legislative or regulatory changes or reforms, or other changes in the healthcare system, from time to time. Any such changes could prevent or delay approval of the Group's product candidates, restrict or regulate post-approval activities of the Group or its partners, adversely affect the pricing of the Group's product candidates and otherwise affect the Group's ability to sell profitably any products for which it obtains regulatory approval and begins to commercialise. In addition, the continuing efforts of governments, insurance companies, managed care organisations and other third party payors for healthcare products, to contain or reduce costs may adversely affect the Group's or its partners' ability to set prices it believes are fair for its product candidates, once approved.

In addition, the pricing and reimbursement environment may change in the future and become more challenging for a number of reasons, including policies advanced by governments, new healthcare legislation or regulation or budgetary challenges faced by government health administration authorities. If reimbursement for the Group's therapeutic products is substantially less than what the Group has budgeted for in its business plan, or rebate obligations associated with the Group's products, once approved, are substantially increased, its business could be materially and adversely affected. In addition, government proposals to change the current pricing and reimbursement mechanisms and other healthcare reforms in any jurisdictions in which the Group intends to commercialise its product candidates, once approved, could limit the prices that could be charged for the Group's products and may further limit its commercial and partnership opportunities. The Group's results of operations could be materially adversely affected by the possible effect of such current or future legislation on amounts that private insurers will pay and by other healthcare reforms that may be enacted or adopted in the future.

Litigation and other adversarial actions in the ordinary course of business could materially adversely affect the Group

Although the Group is not currently party to (either as a claimant or as a defendant) any material litigation, it may be subject to such litigation in the future. In addition, the Group may be subject to other disputes, claims and complaints, including adversarial actions, by partners, customers, employees, suppliers, insurers, patients and others in the ordinary course of business. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Group's operations and may result in the Group having to pay monetary damages, any of which could have a material adverse effect on the Group's financial condition, business, prospectus and results of operations. In addition, adverse publicity or substantial litigation against the Group could negatively impact its reputation, even if the Group is not found liable, which could have a material adverse effect on the Group's business and financial condition.

The Group may face product liability claims

In carrying out its activities the Group may potentially face contractual and statutory claims, or other types of claim from customers, suppliers and/or investors. In addition, the Group is exposed to potential product liability risks that are inherent in the research, development, production and supply of its products. Consumers, healthcare producers or persons selling products based on the Group's and its collaborators' technology may be able to bring claims against the Group based on the use of such products in clinical trials and the sale of products based on the Group's technology.

It might transpire in the future that the products of the Group have side effects that are not known at present. This can result in approvals being restricted or withdrawn in the case of products liable for registration, or the sales and distribution being restricted or prohibited in the case of products for which registration is not required. Side effects of individual products might result in other products sold by the Group being refused due to weak consumer confidence or reduced confidence on the part of medical practitioners. As a result of this, revenues of the Group may be adversely affected and/or the Group might be faced with group claims for damages.

The Group may be unable to secure adequate insurance at an acceptable cost

The Group's business exposes it to potential product liability and professional indemnity and other risks which are inherent in the research, development, production and supply of its products. No assurance can be made that product liability or any future necessary insurance cover will be available to the Group at an acceptable cost, if at all, or that, if there is any claim, the level of the insurance the Group carries now or in the future will be adequate to cover all potential claims or that a product liability, professional indemnity or other claim would not materially and adversely affect the Group's business. Any significant claim may increase the insurance premiums to an unaffordable level. In addition, it may be necessary for the Group to secure certain levels of insurance as a condition to the conduct of clinical trials. In the event of any claim, the Group's insurance coverage may not be adequate, and there can be no guarantee that any such claim will be paid either in part or at all.

Tax risk

Any change in the Group's tax status or in taxation legislation in the United Kingdom could affect the Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

The Group has historically been eligible for, and claimed, tax relief for qualifying research and development expenditure in the United Kingdom. It is anticipated that each Group entity will, where available, continue to claim such relief. However, the tax laws and regulations in the United Kingdom (including treaties, legislation, regulations and case law), or the interpretation, application or enforcement of such laws and regulations by the courts, tribunals or tax authorities, may be subject to change (in each case possibly with retroactive effect). As a result, the Group may not, or may not in the future, be eligible for research and development tax relief in the United Kingdom, which could have a negative effect on the Group's profit after tax and cash flow.

Impact of Brexit

Brexit could materially impact the future regulatory regime that applies to the Group's business, products, services, and employees in the United Kingdom. As Brexit's political, legal, regulatory, and economic effects continue to evolve, it is currently difficult to predict the effect this may have on the Group's business, regulatory environment or staffing.

Impact of COVID-19

The ongoing nature and uncertainty of the pandemic in many countries including the measures and restrictions put in place (such as travel bans and quarantining in particular) continue to have the ability to impact the Group's business continuity, workforce, business development, ability to progress clinical trials and may also impact the Group's partners and potential future partners and collaborators and, consequently, future revenues. While the Directors believe that COVID-19 will not have a long-term lasting impact on the Group, it is currently difficult to predict its effect on the clinical development of its products and its future revenues.

Information technology systems, data and infrastructure risks

In the ordinary course of business, the Group collects, stores and transmits confidential information, and it is critical that it does so in a secure manner in order to maintain the integrity of such confidential information. The Group's information technology systems are potentially vulnerable to security breaches from inadvertent actions by the Group's employees, sub-contractors, consultants and partners or from attacks by malicious third parties. Maintaining the secrecy of the Group's trade secrets is important to its competitive business position. Whilst the Directors consider that the Group has taken appropriate steps to protect such information, there can be no assurance that its efforts will prevent service interruptions or security breaches in its systems or the unauthorised or inadvertent wrongful access or disclosure of confidential information that could adversely affect the Group's business operations or result in the loss, dissemination, or misuse of critical or sensitive information. A breach of its security measures or the accidental loss, inadvertent disclosure, unapproved dissemination or misappropriation or misuse of trade secrets, proprietary information or other confidential information, whether as a result of theft, hacking, or other forms of deception, or for any other cause, could enable others to produce competing products, use the Group's proprietary technology and/or adversely affect its business position. Further, any such interruption, security breach, loss or disclosure of confidential information could result in financial, legal, business, and reputational harm to the Group and could have a material effect on its business, financial position and/or results of operations.

Risks relating to the Ordinary Shares

Suitability

An investment in the Ordinary Shares may not be suitable for all recipients of this document, and is only appropriate for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Potential investors should consider carefully whether investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, potential investors in any doubt should consult with an investment adviser authorised under the FSMA who specialises in advising on investments of this nature.

Trading market for the Ordinary Shares

The share price of publicly traded companies, including those listed on AIM, can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but not limited to, the performance of both the Group's and its competitors' businesses, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Group may go down as well as up. Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

Investment risk

An investment in a quoted Group is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal.

Determination of Placing Price

Placees will subscribe for the Placing Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Placing Shares to be issued. The Placing Price may not accurately reflect the trading value of the Placing Shares when issued, or the Group's potential earnings or any other recognised criteria of value.

EIS and VCT status

The Company has received advance assurance from HMRC that, subject to the receipt of a satisfactory compliance statement from the Company, HMRC will be able to authorise the Company to issue compliance certificates for the purposes of enabling qualifying individual investors to apply for EIS Relief in respect of their subscription for Ordinary Shares. This advance assurance applies only in respect of the EIS Shares.

The Company requested HMRC's advance assurance in respect of EIS on the basis of the legislation enacted as at the date that the advance assurance and confirmation were given and on the basis of the facts set out in the application made to HMRC. In the event of any change to the legislation, any alteration to the Company's position or the rights attaching to the EIS Shares, or if HMRC were to consider that the application did not set out all material facts or HMRC were to consider that incorrect facts were given, the advance assurance given by HMRC may not apply.

The advance assurance in respect of EIS relates only to the requirements in the EIS Legislation which relate to the Company and the EIS Shares. It does not guarantee that any particular investor will be able to obtain EIS Relief in respect of a subscription for EIS Shares in the EIS/VCT Placing. The availability of EIS Relief and the status of the relevant EIS Shares as a qualifying holding for EIS purposes will be conditional on (amongst other things) both the Company and the investor continuing to satisfy the relevant requirements under the EIS Legislation throughout, broadly, the period of three years from the date of issue of the relevant EIS Shares. Neither the Company, the Directors nor the Company's advisers represent, warrant or undertake that the Company or the EIS Shares will comply with the requirements of the EIS Legislation at or following the EIS Placing, that investors will be able to obtain EIS Relief in respect of their subscription for EIS Shares, or that such EIS Relief will not be withdrawn.

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 EIS qualifying status, or ensures that the Company and/or the EIS Shares will continue to meet the conditions for EIS Relief. In such circumstances, the Company and the Directors cannot undertake to conduct the activities of the Company in a manner designed to preserve any such relief or status. Should the relevant EIS or VCT Legislation change then eligibility for EIS Relief or qualifying status for VCT purposes may be lost.

Any person seeking to obtain EIS Relief or VCT Relief should consult their own professional tax adviser in order that they may fully understand how the EIS Legislation and VCT Legislation applies in their individual circumstances. In particular, any such person should seek professional tax advice as to whether or not they are considered to be "independent", for the purposes of seeking EIS Relief. There is a risk that such person may consider themselves to be "independent" but HMRC does not agree with such classification.

Liquidity of Ordinary Shares

Prior to Admission, there has been no public market for the Ordinary Shares. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

Substantial sales of Ordinary Shares

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements , details of which are set out in paragraph 15 of Part I of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Additional capital and dilution

If the Group were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may be diluted and pre-emptive rights may not be available to certain Shareholders. The Group may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors. If the Company is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Shares at the same price as the Placing Price or higher.

Taxation

The attention of potential investors is drawn to Paragraph 12 of Part VI of this Admission Document. The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Company, may change during the life of the Company.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Admission Document are those currently available and their value depends on investors' individual circumstances. 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 investments held by the Company, its ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Admission Document concerning taxation of the Company and its investors are based on current tax law and practice which is subject to change.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined, their personal circumstances and the financial resources available to them.

Arecor has not paid dividends in the past

There can be no assurances as to the level of future dividends, if any. Whilst the Group intends to consider paying dividends in the future, the declaration, payment and amount of any future dividends of the Group is subject to the discretion of the Directors and will depend upon, among others, the Group's earnings,

financial position, cash requirements, strategic goals and availability of distributable reserves, as well as the provisions of relevant laws and generally accepted accounting practice.

No guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Forward-looking Statements

Certain statements contained in this document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or management's beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, save as required to comply with any legal or regulatory obligations (including the AIM Rules).

PART III

INTELLECTUAL PROPERTY REPORT

Arecor Therapeutics plc
Chesterford Research Park
Little Chesterford
Saffron Walden CB10 1XL

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

26 May 2021

Dear Sir/Madam

Re: Arecor Limited ("Arecor') Intellectual Property Report

This report has been prepared by Sagittarius Intellectual Property LLP ("Sagittarius IP" or "we") for the directors of Arecor Therapeutics plc and Arecor Therapeutics plc's nominated adviser and broker Panmure Gordon (UK) Limited for inclusion in the admission document for the admission of Arecor Therapeutics plc's share capital to trading on AIM, a market operated by the London Stock Exchange.

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we declare that we have prepared this report, which forms part of the Admission Document, and that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import.

The report includes the following sections:

1 Executive summary

2 Overview of the patent system

3 Arecor's intellectual property strategy

4 Discussion of Arecor's patent estate and relevance to programs

5 Third party issues

6 Trademarks

7 Intellectual property risk factors

8 Annex: Listing of patent cases

Sagittarius IP advises and represents Arecor and has done so since 2010. Sagittarius IP is a patent law firm founded in 2002 which specialises in advising clients in the healthcare sector. The partners of the firm are all Chartered Patent Attorneys and European Patent Attorneys with advanced university qualifications in chemistry and/or biology.

The two attorneys responsible for Arecor's patent affairs at Sagittarius IP are Dr Andrew Teuten and Dr Jessica O'Kane. Andrew Teuten is Senior Partner of Sagittarius IP. He has a first degree in natural sciences from Cambridge University and a DPhil degree in protein science from Oxford University and is Chartered Patent Attorney and a European Patent Attorney. He has been working in the patent profession for approximately 29 years and founded Sagittarius IP after spending the earlier part of his career in house within the pharmaceutical industry, latterly with GlaxoSmithKline. Jessica O'Kane has a first degree in chemistry and a DPhil degree from Oxford University in organic chemistry and is Chartered Patent Attorney and a European Patent Attorney. She has been working in the patent profession for approximately 11 years.

1. Executive summary

The various aspects of Arecor's Arestat™ technology platform are protected by over 50 granted patents in jurisdictions including USA, United Kingdom, France, Germany, China and India, and 20 pending patent applications. Arecor's key patents and pending applications include the following examples:

Displaced buffer technology: Families 1 and 3 include 8 granted patents (in United Kingdom, France, Germany, Switzerland, Canada and Japan) and 1 pending application (in USA).

Stabilised protein formulations containing amphiphilic excipients: Family 5 which includes 11 granted patents (in United Kingdom, France, Germany, Switzerland, Netherlands, Italy, Belgium and USA).

Stabilized antibody formulations: Families 7, 8, 10, 10A, 11, 11A, which include 9 granted patents (in United Kingdom, France, Germany, Switzerland, USA and India) and ten pending applications (in Canada, USA, Europe and Japan).

Stabilized Fc protein construct formulations: Families 13 and 14 which include 2 pending applications (at PCT stage).

Over 70 other patents and patent applications cover or have relevance to products which are being developed or have been developed by Arecor on its own or with partners. Key patents and pending applications covering Arecor's proprietary products include the following:

Diabetes: Families 17, 21, 23 and 24 cover Arecor's ultra-rapid acting insulin (AT247), and families 17, 18, 21, 22 and 23 cover Arecor's ultra-concentrated insulin (AT278), with Family 17 and 18 applications beginning examination in most jurisdictions including USA and Europe. Patent protection on the AT247 and AT278 program lead products is expected to last at least until 2037.

All of the granted patents and pending applications discussed in this report are owned by Arecor, and we are not aware of any issues with the chain of title.

With respect to freedom-to-operate, Arecor routinely monitors the technical areas associated with all of its platform technologies and proprietary products. We are not aware of any pending or threatened legal proceedings relating to Arecor's products.

2. Overview of the patent system

2.1 *Background*

A patent grants the holder a national right to prevent others from practicing the invention of the claims. To be entitled to a patent, the subject matter must comply with at least the requirements of novelty and inventive step.

2.1.1 *Novelty*

The invention must be novel, meaning (normally) that it has not been disclosed prior to the relevant priority date in any public disclosure, called the 'prior art'. In Europe and many other countries, disclosures made by the inventor(s), including journal publications and oral communications, are potentially prior art. In some jurisdictions, inventor disclosures that occur within a limited period of time before the patent filing date or priority date are not prior art. For example, the USA exempts from the prior art disclosures made by the inventor(s) which occur in the year before priority filing. The contents of other patent applications that are filed before the relevant priority date but published afterwards are also, in some circumstances, prior art relevant to novelty.

2.1.2 *Inventive Step*

The invention must involve an inventive step when compared to the prior art. In some jurisdictions, including the US, this is phrased as requiring the invention to be 'non-obvious'. In Europe, there is particular focus on inventive step when compared to the closest prior art document.

2.1.3 *Other requirements*

There are other requirements of patentability which vary according to the jurisdiction.

Most territories require that the invention must be capable of use in an industry, such as the pharmaceutical industry. This requirement is sometimes termed a requirement that the invention be “useful” or have “utility”.

The description of the application must disclose the invention in a manner sufficient to enable a person skilled in the relevant art to carry out the invention. In Europe this is referred to as the “sufficiency” requirement”. In the USA, this concept is conveyed by the “enablement” and “written description” requirements.

Certain subject matter is excluded from protection under national law. In Europe, plant and animal varieties are examples of excluded subject matter, as well as methods of treatment performed on the human or animal body. In the USA, for example, natural products are excluded from patentability.

The claims of the invention must be clear, concise, and supported by the description.

In the USA, it is a requirement on filing to disclose the best mode contemplated by the inventor of carrying out the invention.

2.1.4 *Rights in a patent*

The right conferred by a patent is an exclusory right, meaning that the owner is able to prevent others from carrying out the invention of the patent. However, patents do not provide the owner with the freedom to operate; if aspects of the invention are covered by other patents, permission will be required from the owner of those patents to carry out the invention. If an invention can be exploited without requiring permission from third party patent owners it is said that there is “freedom to operate” (FTO).

2.2 ***Obtaining Patent Protection***

2.2.1 *Priority application*

The first application disclosing the subject matter of the invention is often called the ‘priority application’. The date of the application is known as the priority date.

Under the Paris Convention, applicants are entitled to file further applications within 12 months which claim priority from an application filed in a contracting state. These applications can be national or regional applications, to contracting states, or, if the proprietor is aiming for coverage in multiple countries, a Patent Cooperation Treaty (PCT) application. Whether a “claimed” priority date is a “valid” (or “effective”) priority date depends on a number of factors set out in Article 4 of the Paris Convention. In summary, the party claiming the priority in a later application must be entitled to do so: typically meaning that they are the same party or its successor in title. Further, the subject matter for which priority is claimed must actually have been disclosed in the application from which priority is claimed.

2.2.2 *Patent Cooperation Treaty (PCT) application*

Arecor’s standard policy is to file a PCT application as a vehicle for obtaining patent protection in international markets.

A PCT application acts as an international application, which facilitates the filing of applications in multiple countries. The application process is split into two main phases: the international phase, where there is a single application; and the national phase, where the application is split into different national and regional applications. The international phase lasts 30 months from the priority date, therefore delaying filing decisions and costs. The date of filing of the PCT application is known as the international filing date and is the starting point for determining the term of a patent.

During the international phase, a literature search of the prior art and a non-binding opinion on the patentability of the application is issued. Further examination of the application can optionally be requested. Whilst the opinions are non-binding, some national patent offices will consider these opinions during the national phase.

The PCT application is published 18 months after the earliest priority date, becoming part of the prior art for future patent applications. The contents of the PCT application and the priority application are secret for the first 18 months after the earliest priority date.

2.2.3 *National Phase*

Towards the end of the international phase of the PCT (i.e. around 30 months from priority filing), the applicant must decide into which countries or regions they would like the application to enter the national phase. This step is called "national phase entry". The applicant must then instruct local attorneys to file applications in each country or region, paying the relevant filing costs and complying with translation requirements.

The applications then undergo separate examination procedures, following the national law, which is known as prosecution. Examination involves further searches and discussion between the examiner and the attorney, with the attorney making arguments or amendments in response to comments from the examiner. The examination process can take between two to five years, depending on the country. Once examination is complete, the patent will be granted and provide national protection.

During prosecution, most countries allow the filing of divisional applications based on the original filing. Divisional applications keep the same priority and filing dates as the original 'parent' application, as well as the same expiry date. Filing of a divisional application allows the applicant to pursue a different claim scope to that being pursued or that which has been allowed in the parent application. To be entitled to the status of a divisional application, all its subject-matter must have been included in the parent application. In the United States, a "divisional application" refers to an application claiming subject matter which was the subject of a previous "restriction requirement". Other subject matter can be continued in a "continuation" application or a "continuation-in-part" application.

A 'patent family' includes any priority applications, any applications claiming priority from the priority applications, any PCT-derived applications, and any divisional applications.

2.2.4 *European Patent Convention (EPC)*

For 38 European countries ("contracting states"), as well as 6 additional countries ("extension states" or "validation states"), these numbers valid as at 1 February 2021, patent prosecution can occur at a regional level under the EPC, including the United Kingdom. The European Patent Office (EPO), which is not connected with the EU, conducts the examination process centrally. Upon grant, the applicant must then choose which member states they wish to "validate" the patent in, paying the necessary fees and providing translations if required. National patents are then in force, which are subject to national laws from that point and can therefore be challenged in national courts.

Within nine months from the grant of a European patent, any third party can file an opposition against the patent as granted. Oppositions are *inter partes* proceedings before an Opposition Division of the European Patent Office. There are three possible outcomes of an opposition: (i) the patent is maintained in the form in which it was granted (ii) the patent is maintained in an amended form or (iii) the patent is revoked. The final decision is applicable to all national patents which are derived from the European patent. The decision of an Opposition Division may be appealed to one of the Boards of Appeal of the European Patent Office.

2.3 ***Patent ownership***

The ownership of a patent is determined by the national law of the country in which the invention occurred. In the United Kingdom, the owner of a patent is the inventor(s), or, if the inventor(s) is an employee and employed to invent, the employer. In the latter case the first owner is the employer by operation of law (according to the provisions of s39 Patents Act 1977) and no assignment documentation is needed.

A patent is a property right, therefore the application or granted patent can be sold or assigned to another party. Rights under a patent, such as the ability to make or sell the invention, can be licenced to third parties. Exclusive licences grant the licensee the right to prevent all third parties from practicing the invention, include the owner of the patent.

2.4 ***Patent term***

Patents will normally expire on the 20th anniversary of the filing date of the application (e.g. the PCT application i.e. the international filing date). In the USA, this date may be extended if there are delays during the grant of the patent (this extension called Patent Term Adjustment (PTA)).

Additionally, where a pharmaceutical product experiences a delay in marketing due to the time taken to secure grant of a marketing authorisation, it is possible that patent protection for the pharmaceutical product can be further extended. In the EU and United Kingdom, delays in marketing authorisation can lead to the *de facto* extension of patent term through grant of a Supplementary Protection Certificate (SPC) for a maximum of five additional years, depending on the time period of the delay not including a further six months of protection for products undergoing paediatric investigation. The scope of an SPC is limited to the product which was the subject of the marketing authorisation. In the EU, applications for an SPC are made to patent offices in the member states where there are both a patent and an applicable marketing authorisation. Similar systems leading to a potential patent term extension of up to 5 years due to regulatory delay ("PTE") exist in USA, Japan, Australia, Korea *inter alia.*

After the expiry of a patent, anyone is able to make, use, offer for use, import, or sell the invention without requiring permission, if the subject matter is not covered by other unexpired patents.

3. Arecor's Intellectual Property strategy

3.1 ***General remarks about Arecor's intellectual property (IP) and its management***

Arecor's business is based on the exploitation of its proprietary technology relating to drug formulation, particularly stable liquid formulations of molecules such as proteins.

Since Arecor was founded in 2007, a substantial body of proprietary know-how and trade secrets has been built up. Arecor also has a substantial patent estate. A feature of the patent system, described in section 2, is that patent applications are secret for 18 months after being first filed which guarantees a certain "lead time" before the contents enter the public domain. Therefore, Arecor's underlying IP comprises the published disclosures of patent filings, the unpublished contents of patent filings as well as other proprietary know-how and trade secrets which have not been filed upon at all. We are advised by Arecor that one specific trade-secret relevant to the Arestat™ platform is a proprietary algorithm/computer based system for use in-house, primarily developed in the period 2015-2017, which facilitates rapid formulation optimization discovery. To our knowledge, Arecor is very attentive to ensuring that all proprietary know-how and trade secrets are carefully protected from disclosure and we are informed that all sharing of proprietary know-how and trade secrets with third parties is done under confidential disclosure agreements (CDAs).

Since 2010 there has been regular liaison between Arecor's chief scientific officer, Dr Jan Jezek, and Sagittarius IP concerning the management of existing patent filings and potential for new patent filings. As part of the initial discussion concerning a new technical advance it would be discussed whether it is most appropriate to retain the information as a trade-secret or whether it should be the subject of a patent filing. Where it is decided to make a new patent filing, claims are prepared based on a reasonable extrapolation of the data and with a view to the commercial importance of the subject matter. All patent filings are supported by technical data. The claims of patent filings may be, and usually are, reduced in scope as a result of examination by patent offices where objections based on prior art or support

(for example) may be raised. A small number of Arecor's European patents have been opposed and an opposition relating to one of the European patents in family 5 is still pending, as discussed in section 4.3.1.5 below. Arecor and Sagittarius IP work together to define additional packages of data to be prepared to best support patent prosecution efforts and opposition defences.

Advice on US patent law is obtained from the firm Nixon and Vanderhye P.C. in Washington D.C. The attorney responsible there is Kenley Hoover. Kenley Hoover was previously at the firm Sterne Kessler Goldstein Fox and advised Arecor whilst he was at that firm also. Arecor instructs Nixon and Vanderhye directly on US patent matters and we understand that Dr Jezek carefully coordinates the US patent prosecution with the prosecution handled by Sagittarius IP in other countries.

3.2 ***Patent filing procedure***

When a potential invention is identified, an invention disclosure statement is drafted by Dr Jan Jezek and the inventors involved, which is typically used by Sagittarius IP as a basis to draft a priority application. The invention disclosure statement discloses the pertinent features of the invention with a suggested claim, identifies the closest prior art known to the inventors, and highlights the properties of the invention which make it meritorious. Most of Arecor's priority applications are filed in the United Kingdom at the Intellectual Property Office. Within 12 months a PCT application is filed and after a further 18 months, at the stage of national phase entry, a decision is taken as to where in the world protection is necessary. The selection of jurisdictions is made on a case-by-case basis, giving careful consideration to the commercial focus of the technology/product covered by the application.

3.3 ***IP strategy for Arestat™ platform technology and for proprietary product programs***

Inventions relating to Arecor's proprietary Arestat™ platform technology are filed on a case-by-case basis, following the procedure set out in section 3.2 above. The cases may arise independently, or in the context of programs to develop particular products where the technology solution is appreciated by Arecor as having wider application.

Arecor has a number of proprietary product formulations in development, the most advanced of which are in the field of diabetes. Arecor uses its proprietary Arestat™ platform technology to discover formulations and then patent cases are filed to protect the results. The portfolio of product cases relating to Arecor's proprietary insulin programs which have been filed to date is described in section 4.3.2 below. We understand that Arecor is actively monitoring progress in all its proprietary programs for opportunities to file new patent cases.

3.4 ***IP strategy for partnered programs***

Arecor has partnered programs involving a number of companies, including Hikma and Inhibrx. These programs typically start with a feasibility study under which Arecor attempts to develop a liquid formulation of the partner's drug molecule which achieves a target stability profile. If the partner accepts that the formulation meets the target stability profile and wishes to take it forward, then a specific commercial licence agreement for that formulation may be entered into.

Arecor's standard approach to handling IP in the context of partnered programs (which, however, is subject to individual negotiation and thus may vary in particular instances) is as follows: (a) the feasibility study involves use by Arecor of Arecor background IP including certainly know-how and possibly technology described in background patent filings (b) the results of the feasibility study in so far as they relate to formulations containing the partner's drug molecule are captured in one or more patent filings owned by Arecor ("arising IP") and (c) where a commercial licence agreement is entered into, the partner is granted a licence to arising IP and necessary Arecor background IP and, in some cases, is granted an assignment of any arising IP that Arecor owns that is specific for the product in question.

Revenues under these commercial licence agreements typically involve a signature payment, milestone payments linked to stages of development or commercialisation and royalties on sales. The royalty typically is paid for the term of underlying Arecor background IP or arising IP or for a certain number of years after first commercial sale, whichever is longer. In some cases, the royalty may be substituted for a technology access fee based on annual net sales. In other cases, the royalty on sales may be substituted for a share of profits. The precise terms of the agreements with partners are confidential.

3.5 ***Portfolio review***

All patent applications are reviewed periodically (typically annually) to ensure that they remain commercially relevant and that the costs that they incur remain justified. If an invention has failed to live up to initial promise, or is otherwise no long commercially valuable, the patent applications covering it may be abandoned in some or all countries.

4. Discussion of Arecor's patent estate and relevance to programs

4.1 ***Categorisation***

Arecor has a long-standing, extensive and ongoing patent filing program. Arecor's patent estate can be categorised into three categories, namely **(i)** Arestat™ platform technology cases relating to stabilisation of liquid drug formulations; **(ii)** product cases relating to Arecor's proprietary insulin programs; and **(iii)** other product cases, including those which may relate to Arecor's partnered programs. The patent estate is discussed below in relation to these categories and by reference to the patent case listing in the Annex.

4.2 ***Ownership and chain of title***

All of the patent cases in Arecor's patent estate are owned by Arecor Limited. To our knowledge, there are no flaws in Arecor's title in the patent cases. In the majority of cases, and except where indicated, title to Arecor's patents resides in Arecor Limited as employer of the inventors who were employed to invent in the United Kingdom. Family 29 and Family 30 cases were transferred to Arecor by assignment from Fresenius Kabi Deutschland GmbH as discussed below.

4.3 ***Patent families***

4.3.1 *Arestat™ platform technology cases*

The Arestat™ technology platform is a collection of unique insights into the effects of specific combinations of excipients and other formulation conditions on a number of degradation pathways of many types of therapeutic products, including peptides, proteins or viral vectors. Application of the technology typically results in improved stability or other critical quality attributes of therapeutic products, thus improving convenience of use, patient adherence or therapeutic outcomes. The unique insights behind the Arestat™ technology platform are typically based on subtle physicochemical parameters of formulation excipients that can control the interactions between these excipients and the target peptides or proteins and impact their stability. Many of the insights are kept as know-how and trade secrets but a number of patent applications have been filed. Patent families relating to the Arestat™ technology platform are listed below.

4.3.1.1 Family 1 (Case APC-001; ACR-P1084)

This case is granted in Canada and Japan. It relates to formulations of proteins and stabilising agents based on the "displaced buffer" principle.

4.3.1.2 Family 2 (Case APC-003; ACR-P1086)

This case is granted in Europe (France, Germany and United Kingdom), Canada and Japan. It relates to stabilised aqueous formulations of Hepatitis B vaccine adsorbed on alumina.

4.3.1.3 Family 3 (Case APC-005; ACR-P1089)

This case is granted in Europe (France, Germany, United Kingdom and Switzerland), Canada and Japan and is pending in the USA. It relates to formulations of proteins and stabilising agents based on the "displaced buffer" principle and is a development of the technology described in Family 1 (APC-001; ACR-P1084).

4.3.1.4 Family 4 (Case APC-008; ACR-P1092)

This case is granted in USA, Europe (France, Germany and United Kingdom) and Canada. It relates to aqueous formulations of metalloproteins comprising calcium ions and weak ligands for calcium ions and which are free of medium and strong ligands for calcium ions.

4.3.1.5 Family 5 (Case APC-009; ACR-P1091)

This case is granted in USA and Europe. In Europe there is a first patent (France, Germany, United Kingdom) and a divisional patent (Belgium, France, Germany, Italy, Netherlands, Switzerland and United Kingdom). The US patent and the first European patent relate to aqueous formulations of protein comprising an amphiphilic excipient and having low ionic strength. The European patent was opposed by an anonymous party and was finally maintained in amended form (no appeal was filed in this instance). The divisional European patent relates to aqueous formulations of a polysaccharide-based vaccine susceptible to hydrolytic cleavage for use in therapy which formulation has low ionic strength. The patent was opposed by GlaxoSmithKline Biologicals S.A. and the opposition was rejected in a decision dated 20 December 2017. An appeal was filed by GlaxoSmithKline Biologicals S.A. and the appeal hearing is scheduled for 1 October 2021.

4.3.1.6 Family 6 (Case APC-014; ACR-P1097)

This case is granted in USA, Europe (France, Germany, Switzerland and United Kingdom), China, Canada and Japan. There is also a pending continuation application in USA. The case relates to aqueous formulations comprising a protein, and aromatic preservative and aromatic carboxylate ions.

4.3.1.7 Family 7 (Case APC-016; ACR-P1275)

This case is granted in Europe (France, Germany, United Kingdom). The case relates to aqueous solutions for administration to a subject by subcutaneous, intravenous or intramuscular injection comprising an antibody protein and polyethyleneimine.

4.3.1.8 Family 8 (Case APC-019; ACR-P1381)

This case is granted in USA, Europe (France, Germany, Switzerland and United Kingdom) and India and pending in Canada. A divisional application is also pending in USA. The case relates to aqueous solution formulations of an antibody protein and an oligomer of ethyleneimine.

4.3.1.9 Family 9 (Case APC-020; ACR-P1566)

This case is granted in USA (two patents) and Europe (Belgium, France, Germany, Netherlands and United Kingdom). The case relates to aqueous formulations comprising an adenovirus vector and an anionic polymer. The European patent was opposed by GlaxoSmithKline Biologicals S.A and was finally maintained in amended form (no appeal was filed in this instance).

4.3.1.10 Family 10 (Case APC-031; ACR-P2131)

This case is pending in USA, Europe and Japan. The case relates to aqueous formulations of an antibody protein and a stabilising mixture of a chelating agent which is a multianion and a C3 polyol. The subject matter is related to that of Family 31.

4.3.1.11 Family 10A (Case APC-031A; ACR-P2415)

This case is pending in USA only and relates to aqueous formulations of an antibody protein and a stabilising mixture of a chelating agent which is a multianion and a C3 polyol. The case is based on the disclosure of Family 10 with some additional text in the description and a prophetic additional example relating to adalimumab. The subject matter is related to that of Family 31.

4.3.1.12 Family 11 (Case APC-032; ACR-P2132)

This case is pending in USA, Europe and Japan. The case relates to aqueous formulations of an antibody protein and a stabilising mixture of arginine, methionine and a C3 polyol. The subject matter is related to that of Family 30.

4.3.1.13 Family 11A (Case APC-032A; ACR-P2417)

This case is pending in USA only and relates to aqueous formulations of an antibody protein and a stabilising mixture of arginine, methionine and a C3 polyol. The case is based on the disclosure of Family 11 with some additional text in the description and a prophetic additional example relating to adalimumab. The subject matter is related to that of Family 30.

4.3.1.14 Family 12 (Case APC-034; ACR-P2178)

This case is pending in USA, Europe, China, India and Korea. It relates to aqueous solution compositions of peptide therapeutic agents which do not contain ionisable groups with pK_a in the range 3.0-8.5 comprising a stabiliser and either no buffer or a low buffer concentration.

4.3.1.15 Family 13 (Case APC-038; ACR-P2419)

This case has published and is presently in the international phase. A decision on national phase entry is due to be taken in August 2021. It relates to aqueous solution formulations comprising an Fc fusion protein and sulfate ions and which formulation is free of magnesium ions and certain amino acids.

4.3.1.16 Family 14 (Case APC-044; ACR-P2617)

This case has published and is presently in the international phase. A decision on national phase entry is due to be taken in February 2022. It relates to aqueous solution formulations of engineered protein constructs comprising an Fc domain having low ionic strength.

4.3.1.17 Family 15 (Case APC-048; ACR-P2935)

This case is unpublished. A decision on PCT filing is due to be taken in February 2022.

4.3.2 *Product cases relating to Arecor's proprietary insulin programs (AT247 and AT278)*

AT247 and AT278 are two of Arecor's proprietary insulin programs. AT247 concerns an ultra-rapid acting insulin product containing a low concentration of insulin. AT278 concerns an ultra-concentrated rapid acting insulin product containing a high concentration of insulin.

The patent estate relevant to the insulin programs AT247 and AT278 comprises the nine families listed below.

Families 16, 19 and 20 are families filed for defensive purposes and do not read onto the lead insulin products within these programs.

The principal protection for the AT247 and AT278 program lead products is provided by Family 17. This family has been filed in 11 territories (counting the EPO as one territory), including the major markets and, if granted, is expected to give patent protection until 2037.

Family 18 may also be relevant to the AT278 program lead product. Family 18 has been filed in 8 territories (counting the EPO as one territory), including the major markets. If granted, Family 18 is expected to give patent protection until 2037.

Families 21 and 22 relate to the application of the Arecor formulations in an infusion pump system. Families 21 covers the AT247 program lead product if used in an infusion pump system. Families 21 and 22 covers the AT278 program lead product if used in an infusion pump system. Family 21 has been filed in 9 territories (counting the EPO as one territory), including the major

markets. Family 22 has been filed in 6 territories (counting the EPO as one territory), including the major markets. If granted, these two families are expected to give patent protection until 2039.

Family 23 relates to the application of the Arecor formulations in an injection pen system and covers the AT247 and AT278 program lead products if used in an injection pen system. Family 23 has been filed in 6 territories (counting the EPO as one territory), including the major markets. If granted, this family is expected to give patent protection until 2039.

Family 24 is unpublished.

All of families 17, 18 and 21-24 are at a very early stage in patent prosecution and it cannot be guaranteed that all patents will be granted nor that the eventual breadth of protection conferred by any granted case will be commercially meaningful. Nevertheless, patent protection on the AT247 and AT278 program lead products is expected to last at least until 2037.

4.3.2.1 Family 16 (Case APC-023; ACR-P2015)

This case is pending in USA, Europe, China and India. It relates to aqueous liquid formulations comprising insulin or an insulin analogue, ionic zinc, a chelating agent and polysorbate 80.

4.3.2.2 Family 17 (Case APC-027(1); ACR-P2054)

This case is pending in USA, Europe, China, Japan, India, Australia, Canada, Hong Kong, Israel, Korea and Mexico. It relates to aqueous liquid formulations comprising an insulin compound, ionic zinc, a particular zinc binding species at a concentration of 1 mM or more and a non-ionic surfactant which is an alkyl glycoside, wherein the formulation is substantially free of EDTA and certain other zinc binding species. The subject matter is related to that of Family 18.

4.3.2.3 Family 18 (Case APC-027(2); ACR-P2202)

This case is pending in USA, Europe, China, Japan, India, Australia, Canada and Hong Kong. It relates to aqueous liquid formulations comprising an insulin compound at a concentration of 500-1000 U/ml, ionic zinc, a particular zinc binding species at a concentration of 1 mM or more and a non-ionic surfactant, wherein the formulation is substantially free of EDTA and certain other zinc binding species. The subject matter is related to that of Family 17.

4.3.2.4 Family 19 (Case APC-030; ACR-P2126)

This case is pending in USA, Europe, China and India. It relates to aqueous liquid formulations comprising an insulin compound, ionic zinc, and two particular (different) zinc binding species (one at a concentration of 1 mM or more, and the other at a concentration of less than about 0.3 mM) and a non-ionic surfactant.

4.3.2.5 Family 20 (Case APC-033; ACR-P2144)

This case is pending in USA, Europe, China, Japan, and India. It relates to aqueous liquid formulations comprising an insulin compound, ionic zinc, a nicotinic compound, a non-ionic surfactant and a salt selected from salts formed between Group 1 metals and a mono or divalent anion.

4.3.2.6 Family 21 (Case APC-035; ACR-P2334)

This case is pending in USA, Europe, China, Japan, India, Canada, Israel, Korea and South Africa. It relates to medical infusion pump systems containing a composition comprising an insulin compound, ionic zinc and an alkyl glycoside as non-ionic surfactant. The subject matter is related to that of Families 22 and 23.

4.3.2.7 Family 22 (Case APC-036; ACR-P2341)

This case is pending in USA, Europe, China, India, Canada and Israel. It relates to medical infusion pump systems containing a composition comprising an insulin compound at a concentration of 400 U/mL or more, ionic zinc and a non-ionic surfactant, wherein the pump delivers the composition in pulse with volume of 0.5µL or less. The subject matter is related to that of Families 21 and 23.

4.3.2.8 Family 23 (Case APC-037; ACR-P2343)

This case is pending in USA, Europe, China, India, Canada and Israel. It relates to injection pen systems containing a composition comprising an insulin compound, ionic zinc and an alkyl glycoside as a non-ionic surfactant. The subject matter is related to that of Families 21 and 22.

4.3.2.9 Family 24 (Case APC-046; ACR-P2782)

This case is unpublished. A decision on PCT filing is due to be taken in April 2021.

4.3.3 *Other product cases*

The nine patent families listed below concern products that Arecor is or has been developing, in some cases with partners. These families concern *inter alia* aqueous solution formulations of the drugs insulin glargine, glucagon, human growth hormone, terlipressin, adalimumab and daptomycin.

4.3.3.1 Family 25 (Case APC-010; ACR-P1099)

This case is granted in USA. It relates to formulations of human growth hormone based on the “displaced buffer” principle.

4.3.3.2 Family 26 (Case APC-017; ACR-P1166)

This case is granted in USA, Europe (France, Germany and United Kingdom), Canada and Japan. It concerns aqueous formulations of glucagon at pH 4-7 comprising a cationic surfactant selected from benzalkonium salts and benzethonium salts and an uncharged tonicity modifying agent.

4.3.3.3 Family 27 (Case APC-025; ACR-P2037)

This case is pending in USA, Europe, China and India and relates to an aqueous solution composition of insulin glargine and a stabilizing amino acid selected from aspartic acid and glutamic acid.

4.3.3.4 Family 28 (Case APC-041; ACR-P2494)

This case has published and is presently in the international phase. A decision on national phase entry is due to be taken in June 2021. It relates to aqueous solution compositions of terlipressin having low buffer concentration.

4.3.3.5 Family 29 (Case APC-042; ACR-P2448)

This case is pending in USA, Europe and Japan. The case relates to an aqueous formulation of adalimumab containing arginine, methionine and a C2-C6 polyol. The subject matter is related to that of Family 11 and Family 11A. This case was originally assigned to Fresenius Kabi Deutschland GmbH as part of the partnered program that Arecor had with that company. However, the program was terminated and as part of the termination settlement the case was assigned back to Arecor.

4.3.3.6 Family 30 (Case APC-043; ACR-P2449)

This case is pending in USA, Europe and Japan. The case relates to an aqueous formulation of adalimumab containing EDTA and a C2-C5 polyol. The subject matter is related to that of Family 10 and Family 10A. This case was originally assigned to Fresenius Kabi Deutschland GmbH as part of the partnered program that Arecor had with that company. However, the program was terminated and as part of the termination settlement the case was assigned back to Arecor.

4.3.3.7 Family 31 (Case APC-040; ACR-P2463)

This case has been published. A decision on national phase entry is due to be taken in June 2021. It concerns aqueous solution formulations of daptomycin containing a low buffer concentration, or no buffer.

4.3.3.8 Family 32 (Case APC-045; ACR-P2623)

This case has been published. A decision on national phase entry is due to be taken in June 2021. It concerns aqueous solution formulations of daptomycin containing a high concentration of salts.

4.3.3.9 Family 33 (APC-047; ACR-P2934)

This case is unpublished. A decision on PCT filing is due to be taken in February 2022.

5. Third party issues

5.1 ***Unauthorised competitor use of Arecor technology***

As part of its routine competitor landscape surveillance, we have been advised that Arecor maintains a watch for indications that third parties are utilising its technology and potentially infringing its patent rights. Arecor has informed us that no instances of unauthorised use of its technology by third parties have come to its attention.

5.2 ***Freedom-to-operate investigation for partnered and proprietary programs***

As part of its routine activities, we have been advised that Arecor maintains a general monitoring watch on the technical space for all programs. Further, in relation to partnered programs, the responsibility for freedom-to-operate investigation ultimately lies with the partner. In relation to individual programs, we have been advised that Arecor performs specific freedom-to-operate searching in parallel with conducting its research activities in order to minimise the risk of third party issues with the selected formulations. We have been advised that Arecor's searches are performed using Derwent Innovation, which is a proprietary database from Clarivate. We are advised that the general approach to searching that Arecor takes is to interrogate the Derwent Innovation database with broad keyword search queries and then review the output manually. The output of any patent search is a feature of the search query used and the integrity and currency of the database searched. Derwent Innovation is a generally reliable database although it should be noted that it will not report results on patent applications filed in the last 18 months as these have not been published. Therefore, any search suffers the risk of not retrieving recently filed case and this risk has to be mitigated by repeating the search at a later time. There is also a risk that any search query is not optimally designed to retrieve desired documents, for example due to the particular choice of keywords. We understand that the most relevant results retrieved from Arecor's searches were reported to us or to Arecor's US counsel for review and further monitoring.

If a third party patent application is viewed as a potential threat to lead products in any of Arecor's more advanced programs (thus far, only applicable to Arecor's proprietary insulin program), depending on the stage of prosecution we may, where procedure permits it, file observations on patentability at the relevant patent office on Arecor's behalf. We may file such observations anonymously in certain cases. If the application proceeds to grant with claims that are a potential threat then we may file an opposition (e.g. at the European Patent Office). Oppositions may be filed anonymously in certain cases. In general, freedom-to-operate investigation has been performed only in respect of the position in Europe and USA since Europe and USA are the most important markets for Arecor's products. On occasion, investigation has been performed in respect of the position in Japan.

Arecor is not presently involved as opponent in any pending opposition proceedings, although a number of third party patent applications are being monitored and these may in due course become the subject of oppositions.

5.3 ***Freedom-to-operate investigation for Arecor's proprietary insulin programs AT247 and AT278***

We understand that, in order to assess whether certain third party rights could be infringed by commercialization of AT247 and AT278 program products, Arecor has kept a general watch in the area. We understand that, to do this, Arecor uses various sources of information principally including the Derwent Innovation database as detailed in section 5.2 above and monitors published patent applications by companies known to the working in the same field. We have been advised by Arecor that searches relevant to AT247 and AT278 program lead products have been performed several times over the course of the program, most recently in December 2019.

As a result of Arecor's monitoring, a number of third party patents and patent applications have been noted for monitoring, further analysis and possible intervention. Arecor has taken a proactive approach to challenging third party patent and patent applications where appropriate. For example: Arecor filed an anonymous opposition against the granted European patent in one particular family which was subsequently revoked at the patent proprietor's request. Arecor filed an anonymous opposition against the granted Japanese patent in a second family, which resulted in significant limitation of the claim scope. Arecor filed anonymous third party observations against the pending European patent application in that same family, which resulted in some limiting of the claim scope. There are a number of other applications or recently granted patents where we and Arecor have doubts as to the validity of the claims that have or might be granted and are considering filing third party observations or oppositions as necessary. In our opinion, none of the granted European patents that have been drawn to our attention is expected to be an impediment to commercialisation of the AT247 and AT278 program lead products. Arecor's US counsel is of the opinion that none of the granted patents that have been drawn to US counsel's attention is expected to be an impediment to commercialisation of the AT247 and AT278 program lead products in the USA.

5.4 ***Pending or threatened proceedings***

We are not aware of any pending or threatened legal proceedings relating to Arecor's products.

6. Trademarks and domain names

Arecor owns the unregistered trademarks ARECOR and ARESTAT which are in use at least in the United Kingdom. Applications to register the trademarks ARECOR and ARESTAT have been made in the UK on behalf of Arecor by the trademark attorney firm Downing IP. The details of these applications are listed below:

Mark name	*Classes*	*Filing date*	*Application No.*
ARECOR	5, 42	08 April 2021	UK00003623094
ARESTAT	5, 42	08 April 2021	UK00003623118

The deadline under the Paris Convention for applying to register corresponding trademarks in foreign jurisdictions based on these UK applications expires on 8 October 2021. We are advised by the Company that it is considering filing one or more such trademarks in foreign jurisdictions before that deadline.

We have been advised by Arecor that they own the domain names Arecor.com, Arecor.co.uk and Arecor.uk.

Arecor has informed us that they have not received any objection from a third party to their use of their unregistered marks or domain names.

7. IP risk factors

As detailed in section 4 above, Arecor has a well-developed patent estate covering its background platform technology and key products under development. Each patent application is carefully drafted and prosecuted with a view to obtaining granted claims which provide the broadest possible protection while being valid and robust. As detailed in section 5 above, we are advised that Arecor keeps a general watch on the technical space for all programs, and Arecor, working with Sagittarius IP and US counsel, carefully analyses third party patent cases that may be of relevance to products in its more advanced programs.

However, despite all reasonable precautions being taken, a number of risk factors remain. Patent searches may not identify all relevant prior art and prior art may emerge after filing, potentially many years later, which may have a material impact on the validity or enforceability of any of Arecor's patents. Intellectual property litigation is complex, expensive and involves significant risk. For example, in the United States, intellectual property matters are typically decided by jury trial and a jury may have different assessment of a case to an expert judge leading to greater unpredictability in outcome. It is sometimes observed that foreign parties have disadvantages versus domestic parties in a jury setting. It may also be the case that the better funded party has an advantage in litigation, regardless of the strength of their case. A third party that feels threatened by Arecor's activities, or otherwise identifies an opportunity for gain, may start legal action against Arecor even when the probability of success is objectively low in order to take advantage of these uncertainties. The legal landscape may change in a major market which has a material impact on the validity or enforceability of any of Arecor's patents or on third party patent infringement risks. The following risks in particular should be noted:

1) that one or more of Arecor's patent cases may not be granted or, if granted, may not provide commercially meaningful protection for Arecor's products. The scope of claims may be adversely impacted by the filing by a third party of observations pre-grant;
2) that the validity of one or more of Arecor's patent cases may be put in question by new prior art that comes to light;
3) that a third party may challenge the validity of one or more of Arecor's granted patents;
4) that a third party may challenge the entitlement of Arecor to the ownership of its patents;
5) that a third party patent right may be upheld as valid and infringed, notwithstanding arguments that Arecor may bring to the contrary, thereby presenting an obstacle to commercialization of an Arecor product;
6) that a third party may carry out an activity which infringes one or more of Arecor's granted patents; and
7) that the statute law or case law relating to patents in a major market may change adversely to Arecor's interests.

All of these risk factors carry with them the possibility of legal proceedings (at the initiation of Arecor or a third party), whether in the United Kingdom or in a foreign jurisdiction, with associated legal costs, which may be significant.

8. Annex: Listing of patent cases

Family 1 (Case APC-001; ACR-P1084)

WO2007/003936; Earliest priority date: 02 July 2005; Filing date: 03 July 2006

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,614,006	2,614,006	Granted
Japan	2008-518976	5033798	Granted

Family 2 (Case APC-003; ACR-P1086)

WO2007/135425; Earliest priority date: 22 May 2006; Filing date: 22 May 2007

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	07732919.1	2019865	Granted*
Japan	2009-511573	5090439	Granted

* validated and in force in France, Germany, United Kingdom

Family 3 (Case APC-005; ACR-P1089)

WO2008/084237; Earliest priority date: 11 January 2007; Filing date: 11 January 2008

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,674,765	2,674,765	Granted
Europe	08700170.7	2114456	Granted*
Japan	2009-545230	5541925	Granted
USA	16/680,026	–	Pending

* validated and in force in France, Germany, United Kingdom, Switzerland

Family 4 (Case APC-008; ACR-P1092)

WO2009/133200; Earliest priority date: 01 May 2008; Filing date: 01 May 2009

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,723,007	2,723,007	Granted
Europe	09738244.4	2281038	Granted*
United Kingdom	0921241.6	2462761	Granted
USA	12/913,838	8,486,388	Granted

* validated and in force in France, Germany

Family 5 (Case APC-009; ACR-P1091)

WO2009/133408; Earliest priority date: 01 May 2008; Filing date: 01 May 2009

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	9738438.2	2283027	Granted*
Europe	12157010.5	2457590	Granted**
USA	12/913,857	9,005,611	Granted

* validated and in force in France, Germany, United Kingdom

** validated and in force in Belgium, Germany, France, United Kingdom, Italy, Netherlands, Switzerland

Family 6 (Case APC-014; ACR-P1097)

WO2011/104557; Earliest priority date:24 February 2010; Filing date: 24 February 2011

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,790,895	2,790,895	Granted
China	201180017219.7	ZL201180017219.7	Granted
Europe	11705985.7	2538974	Granted*
Japan	2012-554423	5859987	Granted
USA	13/591,430	10,925,965	Granted
USA	17/166,108	–	Pending

* validated and in force in France, Germany, United Kingdom, Switzerland

Family 7 (Case APC-016; ACR-P1275)

WO2012/013980; Earliest priority date:30 July 2010; Filing date: 29 July 2011

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	11738789.4	2598167	Granted*

* validated and in force in France, Germany, United Kingdom

Family 8 (Case APC-019; ACR-P1381)

WO2013/114112; Earliest priority date:30 January 2012; Filing date: 30 January 2013

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,861,402	–	Pending
Europe	13703468.2	2809350	Granted*
India	6121/DELNP/2014	342518	Granted
USA	14/375,257	10,532,098	Granted
USA	16/697,999	–	Pending

* validated and in force in France, Germany, United Kingdom, Switzerland

Family 9 (Case APC-020; ACR-P1566)

WO2014/140645; Earliest priority date:15 March 2013; Filing date: 14 March 2014

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	14714307.7	2968112	Granted*
USA	14/208,919	9,254,332	Granted
USA	14/988,138	9,744,242	Granted

* validated and in force in Belgium, France, Germany, United Kingdom, Netherlands

Family 10 (Case APC-031; ACR-P2131)

WO2018/154320; Earliest priority date: 24 February 2017; Filing date: 23 February 2018

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	18708189.8	–	Pending
Japan	2019-546176	–	Pending
US	16/487,990	–	Pending

Family 10A (Case APC-031A; ACR-P2415)

Earliest priority date: 28 August 2018; Filing date: 27 August 2019

Country/region	*Application No.*	*Grant No.*	*Status*
USA	16/552,682	–	Pending

Family 11 (Case APC-032; ACR-P2132)

WO2018/154319; Earliest priority date: 24 February 2017; Filing date: 23 February 2018

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	18708465.2	–	Pending
Japan	2019-546211	–	Pending
USA	16/487,999	–	Pending

Family 11A (Case APC-032A; ACR-P2417)

Earliest priority date: 28 August 2018; Filing date: 27 August 2019

Country/region	*Application No.*	*Grant No.*	*Status*
USA	16/552,675	–	Pending

Family 12 (Case APC-034; ACR-P2178)

WO2019/122935; Earliest priority date: 22 December 2017; Filing date: 21 December 2018

Country/region	*Application No.*	*Grant No.*	*Status*
China	201880079289.7	–	Pending
Europe	18829972.1	–	Pending
India	202027023186	–	Pending
Korea	10-2020-7016746	–	Pending
USA	16/956,382	–	Pending

Family 13 (Case APC-038; ACR-P2419)

WO2020/161487; Earliest priority date: 05 February 2019; Filing date: 05 February 2020

Country/region	*Application No.*	*Grant No.*	*Status*
PCT	PCT/GB2020/050255	–	Pending (International Phase)

Family 14 (Case APC-044; ACR-P2617)

WO2021/028669; Earliest priority date: 09 August 2019; Filing date: 07 August 2020

Country/region	*Application No.*	*Grant No.*	*Status*
PCT	PCT/GB2020/051900	–	Pending (International Phase)

Family 15 (Case APC-048; ACR-P2935)

Filing date: 17 February 2021

Country/region	*Application No.*	*Grant No.*	*Status*
USA	63/150,510	–	Pending (Priority Application)

Family 16 (Case APC-023; ACR-P2015)

WO2017/191464; Earliest priority date: 06 May 2016; Filing date: 05 May 2017

Country/region	*Application No.*	*Grant No.*	*Status*
China	201780027401.8	–	Pending
Europe	17723748.4	–	Pending
India	201827038503	–	Pending
USA	15/720,017	–	Pending

Family 17 (Case APC-027(1); ACR-P2054)

WO2018/060735; Earliest priority date: 29 September 2016; Filing date: 29 September 2017

Country/region	*Application No.*	*Grant No.*	*Status*
Australia	2017334289	–	Pending
Canada	3,034,971	–	Pending
China	201780060339.2	–	Pending
Europe	17780865.6	–	Pending
Hong Kong	62020001847.6	–	Pending
Israel	265609	–	Pending
India	201927007963	–	Pending
Japan	2019-517947	–	Pending
Korea	10-2019-7011076	–	Pending
Mexico	MX/A/2019/003611	–	Pending
USA	16/337,706	–	Pending

Family 18 (Case APC-027(2); ACR-P2202)

WO2018/060736; Earliest priority date: 29 September 2016; Filing date: 29 September 2017

Country/region	*Application No.*	*Grant No.*	*Status*
Australia	2017334290	–	Pending
Canada	3,034,972	–	Pending
China	201780060340.5	–	Pending
Europe	17780866.4	–	Pending
Hong Kong	62020001846.8	-	Pending
India	201927007964	–	Pending
Japan	2019-517968	–	Pending
USA	16/337,730	–	Pending

Family 19 (Case APC-030; ACR-P2126)

WO2018/203059; Earliest priority date: 05 May 2017; Filing date: 03 May 2018

Country/region	*Application No.*	*Grant No.*	*Status*
China	201880029060.2	–	Pending
Europe	18723925.6	–	Pending
India	201927041074	–	Pending
USA	16/610,826	–	Pending

Family 20 (Case APC-033; ACR-P2144)

WO2018/203060; Earliest priority date: 05 May 2017; Filing date: 03 May 2018

Country/region	*Application No.*	*Grant No.*	*Status*
China	201880029092.2	–	Pending
Europe	18723926.4	–	Pending
India	201927041075	–	Pending
Japan	2019-560362	–	Pending
USA	16/610,805	–	Pending

Family 21 (Case APC-035; ACR-P2334)

WO2019/193349; Earliest priority date: 04 April 2018; Filing date: 04 April 2019

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	3,094,304	–	Pending
China	201980024004.4	–	Pending
Europe	19717575.5	–	Pending
Israel	277731	–	Pending
India	202027039798	–	Pending
Japan	2020-554161	–	Pending
Korea	10-2020-7029510	–	Pending
South Africa	2020/05375	–	Pending
USA	17/044,706	–	Pending

Family 22 (Case APC-036; ACR-P2341)

WO2019/193351; Earliest priority date: 04 April 2018; Filing date: 04 April 2019

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	3,094,308	–	Pending
China	201980023476.8	–	Pending
Europe	19717576.3	–	Pending
Israel	277720	–	Pending
India	202027039797	–	Pending
USA	17/044,729	–	Pending

Family 23 (Case APC-037; ACR-P2343)

WO2019/193353; Earliest priority date: 04 April 2018; Filing date: 04 April 2019

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	3,094,237	–	Pending
China	201980024010.X	–	Pending
Europe	19717578.9	–	Pending
Israel	277721	–	Pending
India	202027039796	–	Pending
USA	17/044,719	–	Pending

Family 24 (Case APC-046; ACR-P2782)

Filing date: 01 April 2020

Country/region	*Application No.*	*Grant No.*	*Status*
GB	2004814.6	–	Pending (Priority Application)

Family 25 (Case APC-010; ACR-P1099)

WO2010/089522; Earliest priority date: 16 July 2008; Filing date: 16 July 2009

Country/region	*Application No.*	*Grant No.*	*Status*
US	12/851,295	8,796,210	Granted

Family 26 (Case APC-017; ACR-P1166)

WO2012/059762; Earliest priority date: 03 November 2010; Filing date: 03 November 2011

Country/region	*Application No.*	*Grant No.*	*Status*
Canada	2,816,114	2,816,114	Granted
Europe	11779842.1	2635296	Granted*
Japan	2013-537210	5894174	Granted
USA	13/834,313	9023985	Granted

* validated and in force in France, Germany, United Kingdom

Family 27 (Case APC-025; ACR-P2037)

WO2018/029489; Earliest priority date: 12 August 2016; Filing date: 11 August 2017

Country/region	*Application No.*	*Grant No.*	*Status*
China	201780044273.8	–	Pending
Europe	17754468.1	–	Pending
India	201927001743	–	Pending
USA	16/324,732	–	Pending

Family 28 (Case APC-041; ACR-P2494)

WO2020/128499; Earliest priority date: 21 December 2018; Filing date: 20 December 2019

Country/region	*Application No.*	*Grant No.*	*Status*
PCT	PCT/GB2019/053645	–	Pending (International Phase)

Family 29 (Case APC-042; ACR-P2448)

WO2018/162503; Earliest priority date: 06 March 2017; Filing date: 06 March 2018

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	18714446.4	–	Pending
Japan	2019-548458	–	Pending
USA	16/491,506	–	Pending

Family 30 (Case APC-043; ACR-P2449)

WO2018/162500; Earliest priority date: 06 March 2017; Filing date: 06 March 2018

Country/region	*Application No.*	*Grant No.*	*Status*
Europe	18710815.4	–	Pending
Japan	2019-548380	–	Pending
USA	16/491,500	–	Pending

Family 31 (Case APC-040; ACR-P2463)

WO2020/128507; Earliest priority date: 21 December 2018; Filing date: 20 December 2019

Country/region	*Application No.*	*Grant No.*	*Status*
PCT	PCT/GB2019/053655	–	Pending (International Phase)

Family 32 (Case APC-045; ACR-P2623)

WO2020/128506; Earliest priority date: 21 December 2018; Filing date: 20 December 2019

Country/region	*Application No.*	*Grant No.*	*Status*
PCT	PCT/GB2019/053654	–	Pending (International Phase)

Family 33 (Case APC-047; ACR-P2934)

Filing date: 17 February 2021

Country/region	*Application No.*	*Grant No.*	*Status*
GB	2102258.7	–	Pending (Priority Application)

PART IV

HISTORICAL FINANCIAL INFORMATION ON ARECOR

Since the date of its incorporation, Arecor Therapeutics plc has not commenced operations and has no material assets or liabilities. Therefore, no financial statements have been prepared for Arecor Therapeutics plc as at the date of this document. The Historical Financial Information in Section B of this Part IV has been prepared for Arecor Limited.

Our ref: MC/ACL/Arecor

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The Directors
Arecor Therapeutics plc
Chesterford Research Park
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Saffron Walden
CB10 1XL

26 May 2021
Dear Sir/Madam

Arecor Limited (the Company) – Accountant's Report on Historical Financial Information

We report on the Company's historical financial information set out in Section B of Part IV of Arecor Therapeutics plc's AIM admission document dated 26 May 2021 (the **Admission Document**), for each of the two years ended 31 May 2019, the seven months ended 31 December 2019 and the year ended 31 December 2020 (the **Historical Financial Information**).

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 May 2018, 31 May 2019, 31 December 2019 and 31 December 2020 and of its losses, cash flows, statement of comprehensive income and changes in equity for the years ended 31 May 2018 and 31 May 2019, the seven months ended 31 December 2019 and the year ended 31 December 2020 in accordance with International Financial Reporting Standards adopted by the European Union.

Responsibilities

The directors of Arecor Therapeutics plc are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical 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 Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of preparation

The Historical Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in notes b to u in the Historical Financial Information.

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.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company in accordance with relevant ethical requirements, which in the United Kingdom is the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from the date of the Admission Document for which the Historical Financial Information and this report were prepared.

In forming our opinion on the Historical Financial Information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Historical Financial Information is appropriate.

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 Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Historical Financial Information

Statement of Comprehensive Income

	Notes	*Year ended 31 May 2018* £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Revenue	1	1,350,046	747,672	1,103,077	1,697,593
Gross profit		1,350,046	747,672	1,103,077	1,697,593
Other operating income	2	585,966	898,331	345,298	452,456
Research and development costs		(2,329,526)	(3,085,298)	(2,079,457)	(3,936,557)
Other administrative expenses		(1,004,194)	(1,415,706)	(937,008)	(1,641,514)
Operating loss	3	(1,397,708)	(2,855,001)	(1,568,090)	(3,428,022)
Finance income	5	145	8,579	5,489	2,976
Finance expense	5	(28,682)	(23,976)	(7,625)	(87,289)
Loss before tax		(1,426,245)	(2,870,398)	(1,570,226)	(3,512,335)
Taxation	6	306,998	435,090	293,001	759,968
Loss for the financial year		(1,119,247)	(2,435,308)	(1,277,225)	(2,752,367)
Basic and diluted loss per share (£)	7	(0.68)	(1.08)	(0.49)	(1.02)

There were no other items of comprehensive income during the periods under review.

Statement of Financial Position

	Notes	At 1 June 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Assets						
Non-current assets						
Intangible assets	8	68,057	59,724	51,391	46,530	38,196
Property, plant and equipment	9	551,666	438,542	353,074	295,125	375,346
Other receivables	11	48,000	48,000	48,000	48,000	48,000
		667,723	546,266	452,465	389,655	461,542
Current assets						
Inventories	10	–	11,389	–	–	–
Trade and other receivables	11	757,198	497,100	809,395	549,258	165,536
Current tax receivable		110,464	306,999	742,089	293,001	758,257
Cash and cash equivalents	12	1,028,318	704,942	3,446,883	3,073,684	2,898,460
		1,895,980	1,520,430	4,998,367	3,915,943	3,822,253
Current liabilities						
Trade and other payables	13	656,028	736,270	1,013,699	939,565	1,303,118
Lease liabilities	14	64,820	87,034	92,841	97,733	105,215
Borrowings	15	237,707	–	–	–	–
		958,555	823,304	1,106,540	1,037,298	1,408,333
Non-current liabilities						
Lease liabilities	14	273,596	221,275	128,433	60,391	191,903
Borrowings	15	–	351,784	–	–	1,698,229
Derivative financial liability	15	–	–	–	–	211,543
		273,596	573,059	128,433	60,391	2,101,675
Net Assets		1,331,552	670,333	4,215,859	3,207,909	773,787
Equity						
Share capital	20	16,241	16,496	25,640	26,732	27,155
Share premium account		5,623,051	5,822,803	11,593,688	11,593,688	11,593,688
Share-based payments reserve	21	–	258,021	458,826	727,009	1,044,831
Retained loss		(4,307,740)	(5,426,987)	(7,862,295)	(9,139,520)	(11,891,887)
Shareholders' funds		1,331,552	670,333	4,215,859	3,207,909	773,787

Statement of Changes in Equity

	Share capital £	*Share premium* £	*Share-based payments reserve* £	*Retained losses* £	*Total equity* £
At 1 June 2017	16,241	5,623,051	–	(4,307,740)	1,331,552
Comprehensive income for the year					
Loss for the year	–	–	–	(1,119,247)	(1,119,247)
Transactions with owners					
Issue of shares (note 20)	255	199,752	–	–	200,007
Share-based payments (note 21)	–	–	258,021	–	258,021
	255	199,752	258,021	–	458,028
At 31 May 2018	16,496	5,822,803	258,021	(5,426,987)	670,333
Comprehensive income for the year					
Loss for the year	–	–	–	(2,435,308)	(2,435,308)
Transactions with owners					
Issue of shares (note 20)	9,144	6,017,869	–	–	6,027,013
Share issue costs (note 20)	–	(246,984)	–	–	(246,984)
Share-based payments (note 21)	–	–	200,805	–	200,805
	9,144	5,770,885	200,805	–	5,980,834
At 31 May 2019	25,640	11,593,688	458,826	(7,862,295)	4,215,859
Comprehensive income for the year					
Loss for the period	–	–	–	(1,277,225)	(1,277,225)
Transactions with owners					
Issue of shares (note 20)	1,092	–	–	–	1,092
Share-based payments (note 21)	–	–	268,183	–	268,183
	1,092	–	268,183	–	269,275
At 31 December 2019	26,732	11,593,688	727,009	(9,139,520)	3,207,909
Comprehensive income for the year					
Loss for the year	–	–	–	(2,752,367)	(2,752,367)
Transactions with owners					
Issue of shares (note 20)	423	–	–	–	423
Share-based payments (note 21)	–	–	317,822	–	317,822
	423	–	317,822	–	318,245
At 31 December 2020	27,155	11,593,688	1,044,831	(11,891,887)	773,787

Statement of Cash Flows

	Notes	*Year ended 31 May 2018* £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Cash flow from operating activities					
Loss for the financial year / period before tax		(1,426,245)	(2,870,398)	(1,570,226)	(3,512,335)
Finance income	5	(145)	(8,579)	(5,489)	(2,976)
Finance costs	5	28,682	23,976	7,625	87,289
Share-based payment expense	21	258,021	200,805	268,183	317,822
Depreciation	9	164,611	158,601	83,532	160,292
Amortisation	8	8,333	8,333	4,861	8,334
Foreign exchange movements		34,758	5,947	15,788	42,944
		(931,985)	(2,481,315)	(1,195,726)	(2,898,630)
Changes in working capital					
(Increase) / decrease in inventories		(11,389)	11,389	–	–
Decrease / (increase) in trade and other receivables		260,098	(312,295)	260,137	383,722
Increase / (decrease) in trade and other payables		80,242	277,429	(74,134)	363,553
Tax received		110,463	–	742,088	294,713
Net cash used in operating activities		(492,571)	(2,504,792)	(267,635)	(1,856,642)
Cash flow from investing activities					
Purchase of property, plant & equipment	9	(12,918)	(73,133)	(18,841)	(52,294)
Interest received		145	8,579	5,489	2,976
Net cash used in investing activities		(12,773)	(64,554)	(13,352)	(49,318)
Cash flow from financing activities					
Issue of ordinary shares	20	200,007	5,671,214	1,092	423
Share issue costs	20	–	(246,984)	–	–
New loans received	15	350,000	–	–	1,905,474
Transaction costs on loan received	15	–	–	–	(65,006)
Repayment of loans	15	(240,000)	–	–	–
Capital payments on lease liabilities	14	(68,677)	(87,034)	(69,893)	(49,225)
Interest paid on lease liabilities	14	(24,528)	(18,511)	(7,625)	(17,985)
Other interest paid		(76)	(1,450)	–	–
Net cash generated by / (used in) financing activities		216,726	5,317,235	(76,426)	1,773,681
Net (decrease) / increase in cash and cash equivalents		(288,618)	2,747,889	(357,413)	(132,279)
Exchange losses on cash and cash equivalents		(34,758)	(5,948)	(15,786)	(42,945)
Cash and cash equivalents at beginning of financial year		1,028,318	704,942	3,446,883	3,073,684
Cash and cash equivalents at end of financial year		704,942	3,446,883	3,073,684	2,898,460

Notes to the historical financial information

Principal Accounting Policies

a. Company information

Arecor Limited ("Arecor" or "the Company") is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL with Company Number 06256698. The nature of the company's operations and principal activities are that of research and experimental development of biotechnology.

b. Basis of preparation

The historical financial information has been prepared specifically for the purposes of admission to AIM, in accordance with the requirements of the UK version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2020.

The principal accounting policies set out below have been consistently applied to all periods presented. The historical financial information has been prepared under the historical cost convention except for, where disclosed in the accounting policies, certain items show at fair value.

During 2019, the Company changed their financial reporting date from 31 May to 31 December, presenting a short period to 31 December; as a result, amounts presented in this historical financial information are not entirely comparable due to differing periods.

The historical financial information is presented in Sterling which is the functional currency of the company and rounded to the nearest £.

The historical financial information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Financial statements for year ended 31 December 2020, 7-month period ended 31 December 2019 and years ended 31 May 2019 and 2018, have been filed with the Registrar of Companies. Respective relevant audit reports for these periods, previously filed, were unmodified.

The preparation of this historical financial information requires management to make certain estimates and assumptions. Critical estimates and judgements are detailed in a separate section of these accounting policies.

c. IFRS transition

The Company has adopted IFRS for the first time in this historical financial information. FRS 102 was previously applied to all periods presented. The date of transition to IFRS was 1 June 2017. The requirements of IFRS 1 'First-Time Adoption of International Financial Reporting Standards' have been applied.

Further details and the reconciliations between the previously reported UK GAAP (FRS 102) numbers to those presented under IFRS are given in note 25.

d. Going Concern

The Directors are pleased to present the historical financial information on a going concern basis. The business has been loss making in the early stages of its development. Based on the cash position at the 31 December 2020 reporting date (£2.9m) and the cashflow forecast for the 12 months from date of approval of the historical financial information, the Directors are confident that the Company has sufficient cash to make the necessary investments to grow the Company in line with its strategic vision and to meet the liabilities of the business as they fall due.

The current COVID-19 pandemic has the potential to materially impact the ability of the Company to execute its strategy and to negatively impact the Company's cashflow forecast. At the date of approval of the historical financial information, the Company's operations have not been significantly impacted by the crisis.

The Directors are confident that at this time of huge economic uncertainty, the Company has a stable cash position and all necessary actions have been taken to protect the business from the impact of the COVID-19 pandemic.

e. Revenue

Revenue is measured based on the consideration that the Company expects to be entitled to in exchange for transferring promised goods and services.

There are two main revenue types: the first arises from research and the second from granting of licences. The performance obligations for each are described below.

Research and formulation development arrangements

Revenue from the performance of ongoing funded research and formulation development is recognised as the performance obligation is satisfied, which is the performance over time of research work specified in detail within the contract, for instance performing observations regularly over a fixed period. The nature of this type of work is that it takes place evenly over each phase of each contract. During main contract phases, the progress of the work is dictated by physical constraints e.g., required periods of observation which dictate the pace of work, hence time passed best indicates the stage of completion of a service performed over time, which is even over the life of each element of the contract. This is based on the fact that during each phase of a research contract, the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Transaction prices are determined based on prices agreed in the contracts, each of which is negotiated individually with the customer. This includes the allocation of the whole contract price between each distinct performance obligation within each contract.

The types of contract entered into by the Company do not include any obligations for returns or refunds nor are warranties offered relating to the work performed.

None of the practical expedients in IFRS 15 have been applied.

Licence arrangements

Revenue from licence arrangements is recognised at the granting of the licence where it has been assessed as giving the right to use the underlying intellectual property. Payment terms are industry standard, usually 30 days subject to negotiation, and no financing is offered.

Where contracts with customers combine the grant of a licence and the provision of services the consideration is allocated between the two elements based on the identifiable elements of the separate performance obligations, being the licence grant and the distinct obligations included in the research element, as for research arrangements described above.

Where licences include variable consideration, which would normally be in the form of milestone payments due when commercial sales pass agreed thresholds, the relevant amounts are only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The long-term nature of this type of arrangement, and the frequent necessity of obtaining additional funding in order to take a product through all phases to commercial production, mean that in the early years of a licence arrangement there is insufficient confidence that the milestones will be reached so a zero value is attributed to the variable element of consideration until there is sufficient progress and funding forecast to be able to anticipate robust commercial sales. When the Company is in a position where it needs to begin attributing value to these variable elements, the value will be based on discounting the fixed milestone payment amounts (i.e., the most likely amounts) to present value to reflect the time that is expected to pass before they are payable.

In general, revenue is billed in advance of performance of work for each phase of a contract, meaning most arrangements give rise to contract liabilities as each invoice is raised, and these liabilities are fully released before the next billing point.

Where the Company receives grants that are not from government, they are treated as revenue as they have comparable performance obligations and conditions to other revenue contracts. These grants are all relating to research rather than licences.

f. Government grants

The Company receives UK government grants for research work. Grants are agreed for named projects, offering reimbursement of specified costs incurred on these projects. The grants are paid after each grant reporting period when the claim is submitted, and there are no clauses requiring the Company to repay any amounts as the funding is cost-based rather than outcome-based. The administering body has the right to request information on any items within each grant claim and to request an independent auditor's report. There are no clawback provisions relating to the grants as they are not paid until after the relevant expenditure has been incurred and agreed, and this is the only condition.

Revenue-based grants have been credited to the statement of comprehensive income in the period to which they relate.

g. Research and development

Research expenditure is expensed as it is incurred.

Development costs relating to internally developed products are capitalised from the date at which all of the following criteria are met for a product:

- The technical feasibility of completing the project (so that an intangible asset thereby generated will be available for use or sale) can be demonstrated;
- An intention to complete the project can be demonstrated;
- An ability to use or sell an intangible asset generated by the project can be demonstrated;
- It is possible to demonstrate how an intangible asset generated by the project will generate probable future economic benefits for the Company;
- It is possible to demonstrate the availability of adequate technical, financial & other relevant resources to complete the development and to use or sell an intangible asset generated by the project;
- An ability to measure reliably the expenditure attributable to the project can be demonstrated.

Until all of the above criteria are met, such costs are classified as research expenditure and expensed accordingly. As drug products cannot be commercialised until they have completed phase three clinical trials, the Company considers that the above criteria have not been met and therefore all costs will continue to be expensed until that time.

h. Share Based Payments

The Company operates an equity-settled share-based payment scheme. Where share-based payments (options) have been granted to employees, the fair value of the share-based payments is measured at the grant date and charged to the statement of comprehensive income over the vesting period. A valuation model is used to assess the fair value, taking into account the terms and conditions attached to the share-based payments. The fair value at grant date is determined including the effect of market-based vesting conditions, to the extent such vesting conditions have a material impact. It also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

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 Company's best estimate of the number of equity instruments that will ultimately vest.

i. Employee Benefits

Defined contribution pension plan

The Company operates a defined contribution plan for its employees and pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

j. Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents are being amortised evenly over their estimated useful life of 18 years.

k. Impairment of non-financial assets

At each balance sheet date, the Directors review the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, except for impairment losses on goodwill, which are not reversed.

l. Property, plant and equipment

Property, plant and equipment is stated at cost on acquisition less depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The annual rate of depreciation for each class of depreciable asset is:

Leasehold improvements	-	straight line over the term of the lease
Other equipment	-	20% - 33% straight line
Right of use lease assets	-	straight line over the term of the lease

The carrying value of property plant and equipment is assessed annually and if there is any indication of impairment, an impairment assessment is performed; any impairment expense arising is charged to the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal

or retirement 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.

m. Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

Products for resale and supplies are initially recorded at cost. When the inventory is sold, the capitalised costs are expensed.

n. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

o. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for trade receivables (which do not contain a significant financing component) that are initially measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable- this is not permitted for financial assets at fair value through profit or loss: instead, transaction costs are expensed as incurred).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Company does not have any financial assets categorised as FVOCI or FVTPL.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Company to account for expected credit losses (ECL) and

changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Company to recognise a loss allowance for ECL on trade receivables.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company's trade receivables are grouped into 30-day buckets and are assessed for impairment based on experience of write-offs for each age of balance to predict lifetime ECL, applying the simplified approach set out in IFRS 9. The segmentation used is reviewed periodically to ensure it is still appropriate. At present, all receivables are assessed as having the same risk profile hence grouping only by age in establishing whether or how much impairment should be recognised.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables, and derivatives.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives, which are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within finance costs or finance income.

Compound instruments

Where an instrument is initially assessed as containing both a liability component and an equity component i.e., as a compound instrument, the fair value of the liability component is established based on the fair value of a similar liability that does not have an associated equity component, and the residual balance assigned to the equity component. The liability component is then measured at amortised cost; the equity component is not subsequently remeasured. Where no equity component is noted, an embedded derivative may arise.

If a financial liability includes an embedded derivative this is also separated out at inception and initially and subsequently measured at fair value.

p. Leases

The Company has taken the IFRS 1 exemption in relation to the adoption of IFRS 16, thereby measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. The right of use asset is measured at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use assets comprise the initial measurement of the corresponding lease liability, prepayments made on the lease at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are recognised in a separate category of property, plant and equipment and are depreciated over the shorter period of lease term and useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

q. Taxation

Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation

Deferred taxation is calculated based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Current tax assets and liabilities and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

r. Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end date. All differences are taken to the statement of comprehensive income.

s. Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share-based payment reserve" represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.
- "Retained earnings / losses" represents the accumulated profits and losses attributable to equity shareholders.

t. International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of the historical financial information, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Company. For the next reporting period, applicable International Financial Reporting Standards will be those endorsed by the UK Endorsement Board (UKEB).

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, this historical financial information, the following could potentially have a material impact on the Company's financial statements going forward:

New/Revised International Financial Reporting Standards		*Effective Date: Annual periods beginning on or after:*	*UKEB adopted*
Various	Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	1 January 2022	No
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021	Yes

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the Company.

u. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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

The following are the significant judgements and key sources of estimation uncertainty used in applying the accounting policies of the Company that have the most significant effect on the historical financial information:

Property, plant and equipment & intangible asset impairment

Judgement is applied to determine whether there are indicators of impairment of the Company's property, plant and equipment and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

R&D tax credits

Judgement is required when determining whether R&D tax credit claims are recoverable. Factors taken into consideration include the history of those being accepted and repaid by the local tax authority.

1. Revenue and operating segments

The geographic analysis of the Company's revenue is as follows:

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
UK	45,334	44,900	–	–
Europe	525,485	322,334	185,241	735,675
Rest of world	779,227	380,438	917,836	961,918
	1,350,046	747,672	1,103,077	1,697,593

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, assessing the performance of the operating segment and making strategic decision, has been identified as the Board of Directors.

For the year ended 31 December 2020, revenue includes £240,625 (7-month period ended 31 December 2019: £168,750, year ended 31 May 2019: £142,087; year ended 31 May 2018: £206,877) included in the contract liability balance at the beginning of the period. These balances arise because most customers pay at the beginning of each work phase so the revenue arising from each payment is recognised as the work is performed.

The Company's revenue is split between research and licence income; the component relating to licence income in the year ended 31 December 2020 was £920,000 (7-month period ended 31 December 2019: £352,000; year ended 31 May 2019: £nil; year ended 31 May 2018: £156,000) with the balance in each period relating to research.

There were no amounts at any reporting date of revenue that had been contractually agreed but not yet performed or cash received.

During 2020, three customers each contributed more than ten per cent. of the Company's revenues, respectively £538,000 (31 per cent.), £566,000, (33 per cent.) and £347,000 (20 per cent.) (7-month period ended 31 December 2019: two customers contributing £474,000 (43 per cent.) and £190,000 (17 per cent.); year ended 31 May 2019: three customers contributing £215,000 (28 per cent.), £118,000 (15 per cent.) and £85,000 (11 per cent.); year ended 31 May 2018: four customers contributing £230,000 (17 per cent.), £135,000 (ten per cent.), £243,000 (18 per cent.) and £156,000 (12 per cent.).

2. Other operating income

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Government grants	583,688	867,906	344,224	452,456
Other	2,278	30,425	1,074	–
	585,966	898,331	345,298	452,456

3. Operating loss

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Operating loss is stated after charging:				
Depreciation of property, plant and equipment:				
- Owned assets	80,575	76,564	40,222	79,616
- Right of use assets under leases	84,036	82,037	43,310	80,676
Amortisation of intangible assets	8,333	8,333	4,861	8,334
Equity-settled share-based payments	258,021	200,805	268,183	317,822
Foreign exchange losses	34,758	5,948	15,786	42,945

4. Directors and employees

The aggregate payroll costs of the employees, including both management and Directors, were as follows:

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Wages and salaries	1,002,453	1,161,450	916,940	1,977,032
Share based payments	258,021	98,229	130,584	276,999
Social security	102,121	114,741	96,166	151,212
Pension costs	19,263	23,917	23,224	57,418
	1,381,858	1,398,337	1,166,914	2,462,661

Average monthly number of persons employed by the Company during the year was as follows:

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
	18	22	24	31

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Remuneration of Directors				
Emoluments and fees for qualifying services	222,730	320,328	320,915	596,587
Share based payments	104,063	50,547	70,769	192,084
	326,793	370,875	391,684	788,671

Key management personnel are identified as the Executive Directors.

5. Finance income and expense

Finance income

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Interest received on bank balances	145	8,579	5,489	2,976
	145	8,579	5,489	2,976

Finance expense

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Interest on convertible loan notes	1,784	–	–	64,010
Fair value movement on derivative	–	–	–	35
Transactions costs on embedded derivative	–	–	–	5,259
Other loan interest	2,370	5,465	–	–
Interest expense on lease liabilities	24,528	18,511	7,625	17,985
	28,682	23,976	7,625	87,289

6. Taxation

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Current tax (credit):				
Research & development tax credit receivable	(306,998)	(435,090)	(293,001)	(759,968)
Total tax	(306,998)	(435,090)	(293,001)	(759,968)

	Year ended 31 May 2018 £	*Year ended 31 May 2019* £	*7 month period ended 31 December 2019* £	*Year ended 31 December 2020* £
Loss before tax	(1,426,245)	(2,870,398)	(1,570,226)	(3,512,335)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017, 2018 & 2019: 19%)	(270,987)	(545,376)	(298,343)	(667,344)
Tax effects of:				
Expenses not deductible for tax purposes	55,143	27,289	52,754	54,074
Enhanced R&D relief	(191,676)	(282,750)	(191,885)	(521,101)
Unrecognised deferred tax	91,901	362,327	139,673	367,918
Origination and reversal of timing differences	8,621	3,420	4,800	6,485
Total tax (credit)	(306,998)	(435,090)	(293,001)	(759,968)

At 31 May 2018 the Company has accumulated tax losses of £4,304,992 (31 May 2019: £5,688,365; 31 December 2019: £6,078,466; 31 December 2020: £6,647,063). No deferred tax asset was recognised in respect of these accumulated tax losses due to uncertainty regarding the timing of recoverability in future years. Under UK tax law currently enacted, the accumulated tax losses are not limited by an expiry date.

7. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year / period.

Due to the losses incurred during all periods presented, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share.

Basic and diluted loss per share

	Year ended 31 May 2018	*Year ended 31 May 2019*	*7 month period ended 31 December 2019*	*Year ended 31 December 2020*
	£	£	£	£
Loss per share	(0.68)	(1.08)	(0.49)	(1.02)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Year ended 31 May 2018	*Year ended 31 May 2019*	*7 month period ended 31 December 2019*	*Year ended 31 December 2020*
	£	£	£	£
Loss used in the calculation of total basic and diluted loss per share	(1,119,247)	(2,435,308)	(1,277,225)	(2,752,367)

Number of shares	*Year ended 31 May 2018* *Number*	*Year ended 31 May 2019* *Number*	*7 month period ended 31 December 2019* *Number*	*Year ended 31 December 2020* *Number*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,637,092	2,260,458	2,627,996	2,707,887

8. Intangible assets

	Patents £
Cost	
At 1 June 2017	150,000
Additions	–
At 31 May 2018	150,000
Additions	–
At 31 May 2019	150,000
Additions	–
At 31 December 2019	150,000
Additions	–
At 31 December 2020	150,000
Amortisation	
At 1 June 2017	81,943
Charge for the year	8,333
At 31 May 2018	90,276
Charge for the year	8,333
At 31 May 2019	98,609
Charge for the period	4,861
At 31 December 2019	103,470
Charge for the year	8,334
At 31 December 2020	111,804
Net book value	
At 1 June 2017	68,057
At 31 May 2018	59,724
At 31 May 2019	51,391
At 31 December 2019	46,530
At 31 December 2020	38,196

Amortisation is recognised within administrative expenses.

9. Property, plant and equipment

	Leasehold improvements £	*Right of use assets - office lease* £	*Right of use assets - other equipment* £	*Other equipment* £	*Total* £
Cost					
At 1 June 2017	75,049	277,213	112,414	632,816	1,097,492
Additions	–	–	38,569	12,918	51,487
Disposals	–	–	–	(25,295)	(25,295)
At 31 May 2018	75,049	277,213	150,983	620,439	1,123,684
Additions	–	–	–	73,133	73,133
Disposals	–	–	–	(21,233)	(21,233)
At 31 May 2019	75,049	277,213	150,983	672,339	1,175,584
Additions	–	–	6,742	18,841	25,583
Disposals	–	–	–	(17,973)	(17,973)
At 31 December 2019	75,049	277,213	157,725	673,207	1,183,194
Additions	–	140,303	47,916	52,294	240,513
Disposals	–	–	–	(19,649)	(19,649)
At 31 December 2020	75,049	417,516	205,641	705,852	1,404,058
Depreciation					
At 1 June 2017	11,842	–	87,242	446,742	545,826
Charge for the year	18,012	65,226	18,810	62,563	164,611
Disposals	–	–	–	(25,295)	(25,295)
At 31 May 2018	29,854	65,226	106,052	484,010	685,142
Charge for the year	13,906	65,227	16,810	62,658	158,601
Disposals	–	–	–	(21,233)	(21,233)
At 31 May 2019	43,760	130,453	122,862	525,435	822,510
Charge for the period	6,754	38,049	5,261	33,468	83,532
Disposals	–	–	–	(17,973)	(17,973)
At 31 December 2019	50,514	168,502	128,123	540,930	888,069
Charge for the year	14,731	63,291	17,385	64,885	160,292
Disposals	–	–	–	(19,649)	(19,649)
At 31 December 2020	65,245	231,793	145,508	586,166	1,028,712
Net book value					
At 1 June 2017	63,207	277,213	25,172	186,074	551,666
At 31 May 2018	45,195	211,987	44,931	136,429	438,542
At 31 May 2019	31,289	146,760	28,121	146,904	353,074
At 31 December 2019	24,535	108,711	29,602	132,277	295,125
At 31 December 2020	9,804	185,723	60,133	119,686	375,346

Depreciation is recognised within administrative expenses.

10. Inventories

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Cost of inventory	–	11,389	–	–	–

11. Trade and other receivables

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Non-current receivables					
Other receivables	48,000	48,000	48,000	48,000	48,000
	48,000	48,000	48,000	48,000	48,000

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Trade and other receivables					
Trade receivables	690,391	401,955	651,612	497,263	78,305
Other receivables	49,324	50,504	101,354	21,051	23,472
Prepayments	17,483	44,641	56,429	30,944	63,759
	757,198	497,100	809,395	549,258	165,536

An expected credit loss assessment has been performed and management have concluded that no expected credit losses exist in relation to the Group's receivables as at any of the reporting dates presented. This is because the nature of the arrangements is that billings are usually before work is performed, meaning that customers have a strong incentive to make payment in order to ensure that the work proceeds on a timely basis.

12. Cash and cash equivalents

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Cash at bank (GBP)	973,221	584,405	3,420,545	2,930,304	2,111,851
Cash at bank (USD)	55,097	120,537	26,338	143,380	786,609
	1,028,318	704,942	3,446,883	3,073,684	2,898,460

At the reporting dates presented all significant cash and cash equivalents were deposited in the UK with large international banks.

13. Trade and other payables

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Current					
Trade payables	100,501	164,802	567,980	365,648	464,420
Other tax and social security	23,767	28,014	33,798	46,606	51,109
Other creditors	47,128	34,876	41,847	15,750	16,314
Contract liabilities	206,877	142,087	168,750	240,625	80,000
Accruals	277,755	366,491	201,324	270,936	691,275
	656,028	736,270	1,013,699	939,565	1,303,118

At December 2020, in addition to the normal operational accrual, the accrual balance included £178k for clinical trials costs with our trial providers, and £346k of bonus accruals that relate to both FY20 for all staff and the Management bonus relating to the period ending December 2019 (which was paid in post year end).

14. Leases

Right of use assets

The Company used leasing arrangements with a maximum term of 5 years relating to property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments. Where an interest rate implicit in the lease is not readily available, the Company's incremental borrowing rate is used instead. This is determined by reference to the interest application on the Company's borrowings.

	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Additions to right of use assets	38,569	–	6,742	188,219
Depreciation charge – right of use assets	(84,036)	(82,037)	(43,310)	(80,676)
Carrying amount at the beginning of the year – right of use assets:	302,385	256,918	174,881	138,313
Carrying among at the end of the year – right of use assets:	256,918	174,881	138,313	245,856
Interest expense on lease liabilities	24,528	18,511	7,625	17,985
Total cash outflow for leases	(93,205)	(105,545)	(77,518)	(67,210)

Lease liabilities	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Current	64,820	87,034	92,841	97,733	105,215
Non-current	273,596	221,275	128,433	60,391	191,903
-	338,416	308,309	221,274	158,124	297,118

15. Borrowings

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Current					
Loan notes	237,707	–	–	–	–
	237,707	–	–	–	–
Non-current					
Convertible loan notes	–	351,784	–	–	1,698,229
	–	351,784	–	–	1,698,229
Total borrowings	237,707	351,784	–	–	1,698,229

	At 31 May 2017 £	At 31 May 2018 £	At 31 May 2019 £	At 31 December 2019 £	At 31 December 2020 £
Non-current					
Embedded derivative	–	–	–	–	211,543
	–	–	–	–	211,543

Summary of borrowing arrangements:

Borrowings at 31 May 2017 represent loan notes recorded as a financial liability at amortised cost, originally issued in 2007, accruing interest at 6 per cent. which was repayable with the principal in September 2017.

During the 2018 financial year, convertible loan notes were issued to a shareholder again accruing interest at 6 per cent. The notes had a two-year life with earlier conversion to be triggered by a range of events including the Company issuing shares above a threshold. The conversion feature, which allowed for the issue of a variable number of shares based on the shares' value at the time of conversion, was identified as an embedded derivative to be recognised separately on issue but was not allocated any value due to the assessed improbability of a variable value being issued. The host contract was treated as a financial liability at amortised cost with the finance charge accrued over the expected life. Conversion took place in the next accounting period.

Further convertible loans were issued in 2020 with a five-year life, accruing interest at 8 per cent., and earlier conversion possible if one of a number of triggering financing events has occurred. Based on the Company's expectations of its short-term future, the fair value of the embedded derivative at issue representing the possible variation was estimated based on the expected settlement which would result in noteholders receiving an effective discount on the market price as of the conversion. On this basis it had an estimated opening value of £211,508 and will be remeasured to fair value each reporting date until the loan is redeemed or converted. The host contract is measured at amortised cost. Costs on the issue of the notes were apportioned between the host debt and derivative elements; those relating to the host debt are included in the amortised cost calculation and those relating to the derivative were written off to the income statement immediately and included in interest expense.

Reconciliation of liabilities arising from financing activities

31 May 2018

	At 1 June 2017 £	*Cash received* £	*New leases* £	*Interest accrued* £	*Repaid in cash* £	*At 31 May 2018* £
Lease liabilities	338,416	–	38,570	24,528	(93,205)	308,309
Loan notes	237,707	–	–	2,293	(240,000)	–
Convertible loan notes	–	350,000	–	1,784	–	351,784
	576,123	350,000	38,570	28,605	(333,205)	660,093

31 May 2019

	At 1 June 2018 £	*Cash received* £	*New leases* £	*Interest accrued* £	*Repaid in cash* £	*Repaid in shares* £	*At 31 May 2019* £
Lease liabilities	308,309	–	–	18,511	(105,545)	–	221,275
Convertible loan notes	351,784	–	–	4,015	–	(355,799)	–
	660,093	–	–	22,526	(105,545)	(355,799)	221,275

31 December 2019

	At 1 June 2019 £	*Cash received* £	*New leases* £	*Interest accrued* £	*Repaid in cash* £	*At 31 December 2019* £
Lease liabilities	221,275	–	6,742	7,625	(77,518)	158,124
Convertible loan notes	–	–	–	–	–	–
	221,275	–	6,742	7,625	(77,518)	158,124

31 December 2020

	At 1 January 2020 £	*Cash received* £	*Arrangement fee paid* £	*New leases* £	*Interest accrued/ fair value movement* £	*Repaid in cash* £	*At 31 December 2020* £
Lease liabilities	158,124	–	–	188,219	17,985	(67,210)	297,118
Embedded derivative[1]	–	211,508	–	–	35	–	211,543
Convertible loan notes	–	1,693,966	(59,747)	–	64,010	–	1,698,229
	158,124	1,905,474	(59,747)	188,219	82,030	(67,210)	2,206,890

1 £5,259 of arrangement fees which related to the embedded derivative were paid and expensed in the statement of comprehensive income.

16. Financial instruments

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The only financial instrument measured at fair value in the balance sheet is the embedded derivative which is classified as Level 3 according to the above definitions. There were no transfers in or out of Level 3 in the year.

There are no financial instruments classified at Level 1 or Level 2 in the years presented.

The tables below set out the Company's accounting classification of each class of its financial assets and liabilities.

Financial assets at amortised cost	*At 31 May 2017* £	*At 31 May 2018* £	*At 31 May 2019* £	*At 31 December 2019* £	*At 31 December 2020* £
Trade receivables (note 11)	690,391	401,955	651,612	497,263	78,305
Other receivables (note 11)	48,000	48,000	81,458	48,615	51,436
Cash and cash equivalents (note 12)	1,028,318	704,942	3,446,883	3,073,684	2,898,460
	1,766,709	1,154,897	4,179,953	3,619,562	3,028,201

All of the above financial assets' carrying values are approximate to their fair values, as at all reporting dates presented.

	Measured at amortised cost				
Financial liabilities	*At 31 May 2017* £	*At 31 May 2018* £	*At 31 May 2019* £	*At 31 December 2019* £	*At 31 December 2020* £
Trade payables (note 13)	100,501	164,802	567,980	365,648	464,420
Other payables (note 13)	5,182	6,015	41,847	15,750	16,314
Lease liabilities (note 14)	338,416	308,309	221,274	158,124	297,118
Borrowings (note 15)	237,707	351,784	–	–	1,698,229
Accruals (note 13)	277,755	366,491	201,324	270,936	691,275
	959,561	1,197,401	1,032,425	810,458	3,167,356

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at all reporting dates presented.

	Measured at fair value				
	At 31 May 2017 £	*At 31 May 2018* £	*At 31 May 2019* £	*At 31 December 2019* £	*At 31 December 2020* £
Embedded derivative (note 15)	–	–	–	–	211,543
	–	–	–	–	211,543

Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the historical financial information approximate their fair values (due to their nature and short times to maturity).

Fair value of financial liabilities that are measured at fair value on a recurring basis

The fair value of derivative financial instruments has been estimated using a valuation technique based on the expected timing of when the debt will convert into shares. The resulting value is then discounted to take account of the time value of money, with government bond yields used to establish an appropriate discount factor. There have been no changes in the methods or assumptions applied between initial recognition of the instrument and the year end reporting.

17. Financial instrument risk exposure and management

The Company's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

This note describes the Company's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 11, 12, 13, 14, 15, 16 and 18.

Liquidity risk

Liquidity risk is dealt with in note 18 of this historical financial information.

Credit risk

The Company's credit risk, being the risk that the other party defaults on their contractual obligation, is primarily attributable to its cash balances and receivables.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Company's maximum credit risk amounts to the total of other receivables and cash and cash equivalents. Credit risk relating to trade receivables is very low because most contracts are billed in advance of each work stage so work could be suspended by the Company in the event of delayed payment. This provides a natural mitigation of credit risk.

Interest rate risk

The Company's only exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial and the interest on its borrowings (note 15). Borrowings are at a fixed interest rate, so the interest rate risk is considered to be immaterial.

Foreign exchange risk

The Company's transactions are carried out in GBP. Fundraising transactions and parent company operating transactions are carried out in GBP. Operational transactions are carried out in GBP.

The Company holds non-domestic cash balances (see note 12) but currently does not consider it necessary to take any action to mitigate foreign exchange risk due to management's view of the immateriality of that risk.

18. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Company can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Company is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Company's activities are funded by a combination of convertible loan notes, lease financing, equity investment to fund development of proprietary products, grant income and revenue. The Company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The table below shows the undiscounted cash flows on the Company's financial liabilities as at 31 May 2017, 2018, 2019 and 31 December 2019, 2020, on the basis of their earliest possible contractual maturity. This table illustrates that the Company has £3.7m of undiscounted cash flows on the basis of earliest maturity. In managing liquidity risk, the Company has considered the £2.8m of cash and equivalents and the subsequent funding and grant of £5.3m disclosed in note 25 to achieve its objective of ensuring the ability of the Company to pay all of its liabilities as they fall due.

	Total £	*Within 2 months* £	*Within 2-6 months* £	*Within 6-12 months* £	*Within 1-2 years* £	*Within 2-5 years* £
At 31 May 2017						
Trade payables	100,501	100,501	–	–	–	–
Other payables	47,128	–	47,128	–	–	–
Lease liabilities	404,535	24,265	24,265	48,530	97,060	210,415
Borrowings	240,000	–	240,000	–	–	–
Accruals	277,755	–	277,755	–	–	–
	1,069,919	124,766	589,148	48,530	97,060	210,415

	Total £	*Within 2 months* £	*Within 2-6 months* £	*Within 6-12 months* £	*Within 1-2 years* £	*Within 2-5 years* £
At 31 May 2018						
Trade payables	164,802	164,802	–	–	–	–
Other payables	34,876	–	34,876	–	–	–
Lease liabilities	349,119	25,807	27,350	53,157	105,784	137,021
Borrowings	355,799	–	–	–	355,799	–
Accruals	366,491	–	366,491	–	–	–
	1,271,087	190,609	428,717	53,157	461,583	137,021

	Total	Within 2 months	Within 2-6 months	Within 6-12 months	Within 1-2 years	Within 2-5 years
	£	£	£	£	£	£
At 31 May 2019						
Trade payables	567,980	567,980	–	–	–	–
Other payables	41,847	–	41,847	–	–	–
Lease liabilities	242,805	25,807	27,350	52,627	105,254	31,767
Accruals	201,324	–	201,324	–	–	–
	1,053,956	593,787	270,521	52,627	105,254	31,767

	Total	Within 2 months	Within 2-6 months	Within 6-12 months	Within 1-2 years	Within 2-5 years
	£	£	£	£	£	£
At 31 December 2019						
Trade payables	365,648	365,648	–	–	–	–
Other payables	15,750	–	15,750	–	–	–
Lease liabilities	172,197	2,030	51,573	53,603	53,091	11,900
Accruals	270,936	–	270,936	–	–	–
	824,531	367,678	338,259	53,603	53,091	11,900

	Total	Within 2 months	Within 2-6 months	Within 6-12 months	Within 1-2 years	Within 2-5 years
	£	£	£	£	£	£
At 31 December 2020						
Trade payables	464,420	464,420	–	–	–	–
Other payables	16,314	–	16,314	–	–	–
Lease liabilities	333,036	4,987	57,486	62,474	124,176	83,913
Borrowings	2,286,569	–	–	–	–	2,286,569
Accruals	691,275	–	691,275	–	–	–
	3,791,614	469,407	765,075	62,474	124,176	2,370,482

19. Capital management

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Company defines and monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet and as follows:

	At 31 May 2017	At 31 May 2018	At 31 May 2019	At 31 December 2019	At 31 December 2020
	£	£	£	£	£
Equity	1,331,552	670,333	4,215,859	3,207,909	773,787
Cash and cash equivalents	(1,028,318)	(704,942)	(3,446,883)	(3,073,684)	(2,898,460)
Borrowings	237,707	351,784	–	–	1,698,229
	540,941	317,175	768,976	134,225	(426,444)

The Board of Directors monitors the level of capital as compared to the Company's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Company is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Company.

20. Share capital

	At 31 May 2017 Number	*At 31 May 2018 Number*	*At 31 May 2019 Number*	*At 31 December 2019 Number*	*At 31 December 2020 Number*
Allotted, called up and fully paid					
Ordinary shares of £0.01	102,946	102,946	102,946	102,946	135,245
A Ordinary shares of £0.01	1,397,715	1,397,715	1,397,715	1,397,715	1,397,715
A1 Ordinary shares of £0.01	–	24,600	24,600	24,600	24,600
B Ordinary shares of £0.01	123,485	124,335	125,530	234,776	244,776
C Ordinary shares of £0.01	–	–	913,182	913,182	913,182
Total share capital	1,624,146	1,649,596	2,563,973	2,673,219	2,715,518

	At 31 May 2017 £	*At 31 May 2018 £*	*At 31 May 2019 £*	*At 31 December 2019 £*	*At 31 December 2020 £*
Allotted, called up and fully paid					
Ordinary shares of £0.01	1,029	1,029	1,029	1,029	1,352
A Ordinary shares of £0.01	13,977	13,977	13,977	13,977	13,977
A1 Ordinary shares of £0.01	–	246	246	246	246
B Ordinary shares of £0.01	1,235	1,244	1,256	2,348	2,448
C Ordinary shares of £0.01	–	–	9,132	9,132	9,132
Total share capital	16,241	16,496	25,640	26,732	27,155

The following shares were issued in the periods presented:

	No	*Share capital £*	*Share premium £*
At 1 June 2017	1,624,146	16,241	5,623,051
Allotments:			
A1 Ordinary shares of £0.01	24,600	246	199,752
B Ordinary shares of £0.01	850	9	–
At 31 May 2018	1,649,596	16,496	5,822,803

	No	*Share capital* £	*Share premium* £
At 1 June 2018	1,649,596	16,496	5,822,803
Allotments:			
B Ordinary shares of £0.01	1,195	12	–
C Ordinary shares of £0.01	913,182	9,132	5,990,856
Costs of share issue	–	–	(219,971)
At 31 May 2019	2,563,973	25,640	11,593,688

	No	*Share capital* £	*Share premium* £
At 1 June 2019	2,563,973	25,640	11,593,688
Allotments:			
B Ordinary shares of £0.01	109,246	1,092	–
At 31 December 2019	2,673,219	26,732	11,593,688

	No	*Share capital* £	*Share premium* £
At 1 January 2020	2,673,219	26,732	11,593,688
Allotments:			
Ordinary shares of £0.01	32,299	323	–
B Ordinary shares of £0.01	10,000	100	–
At 31 December 2020	2,715,518	27,155	11,593,688

The Ordinary Shares, A Ordinary Shares, A1 Ordinary Shares, B Ordinary Shares and C Ordinary Shares constitute separate classes of shares but rank *pari passu*, except on a return of capital whereby detailed terms apply to the order of priority of the share classes as set out in the Company's Memorandum & Articles of Association.

21. Share based payments

Options

The Company has granted share options to staff and directors with a service condition of either 3 or 4 years. The options are subject to graded vesting: one third vest in a year, and two thirds vest in equal instalments over 24 months.

The fair values of share-based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options granted. Management apply judgement in determine the most appropriate estimates to use in the option pricing model.

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

31 May 2018	*Directors Number of Options*	*WAEP £*	*Staff Number of Options*	*WAEP £*
Outstanding at the beginning of the year	86,376	0.01	57,026	0.01
Issued	17,728	0.01	37,228	0.01
Exercised	–	0.01	(850)	0.01
Expired	(17,728)	0.01	(23,228)	0.01
Outstanding at the year end	86,376	0.01	70,176	0.01
Number vested and exercisable at 31 May 2018	86,376	0.01	59,676	0.01
Weighted average remaining contractual life	5.76		7.09	

31 May 2019	*Directors Number of Options*	*WAEP £*	*Staff Number of Options*	*WAEP £*
Outstanding at the beginning of the year	86,376	0.01	70,176	0.01
Issued	62,000	0.01	35,100	0.01
Exercised	–	0.01	(1,195)	0.01
Expired	(35,456)	0.01	(655)	0.01
Outstanding at the year end	112,920	0.01	103,426	0.01
Number vested and exercisable at 31 May 2019	59,531	0.01	66,699	0.01
Weighted average remaining contractual life	7.71		7.27	

31 December 2019	*Directors Number of Options*	*WAEP £*	*Staff Number of Options*	*WAEP £*
Outstanding at the beginning of the period	112,920	0.01	103,426	0.01
Issued	31,000	0.01	7,000	0.01
Exercised	(50,920)	0.01	(58,326)	0.01
Expired	–	0.01	(1,000)	0.01
Outstanding at the period end	93,000	0.01	51,100	0.01
Number vested and exercisable at 31 December 2019	20,667	0.01	20,286	0.01
Weighted average remaining contractual life	9.24		8.88	

31 December 2020	*Directors Number of Options*	*WAEP £*	*Staff Number of Options*	*WAEP £*
Outstanding at the beginning of the year	93,000	0.01	51,100	0.01
Issued	–	0.01	21,250	0.01
Exercised	(20,667)	0.01	(21,632)	0.01
Expired	–	0.01	(1,319)	0.01
Outstanding at the year end	72,333	0.01	49,399	0.01
Number vested and exercisable at 31 December 2020	32,723	0.01	12,813	0.01
Weighted average remaining contractual life	8.32		8.78	

The Company recognised total expenses of £317,822 in the year ended 31 December 2020 (year ended 31 May 2018: £258,021; year ended 31 May 2019: £200,805; 7 month period ended 31 December 2019: £268,183) in the statement of comprehensive income in relation to share options accounted for as equity-settled share-based payment transactions during the year.

22. Related party transactions

Key management personnel are identified as the Executive Directors, and their remuneration is included in the aggregate remuneration of the Directors in note 4.

The only other related party transactions relate to loans held by shareholders of the Company. The convertible loan notes disclosed in note 15 are held by the following shareholders of the Company:

Convertible loan notes issued in the year ended 31 May 2018 – Stewart Newton

Convertible loan notes issued in the year ended 31 December 2020 in the following proportions:

Name	*Amount of Convertible Loan Stock (£)*
Albion Development VCT PLC	106,599
Albion Enterprise VCT PLC	110,404
Albion Technology & General VCT PLC	83,759
Albion Venture Capital Trust PLC	68,527
Crown Place VCT PLC	79,952
Kings Arms Yard VCT PLC	83,759
Calculus	533,000
Downing	533,000
Luca Badiali	793
Andrew Lane	2,472
Jonathan Monnery	1,000
Stewart Newton	200,000
Vijay Pillai	400
Andrew Richards	23,693
Jonathan Shepard	2,155
Hugh C and McDonald Trustees Limited	50,000
Alan Smith	21,042
Sussex Research Limited	4,919
	1,905,474

Refer to note 15 for further details on both convertible loan notes.

23. Financial commitments

There were no significant financial commitments at any of the reporting dates presented. The Company has a contingent liability in relation to potential future outflows from royalties arising from certain of its grant financing arrangements, but these are at present considered to be too remote to estimate timings or values.

24. Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party.

25. Post balance sheet events

Subsequent to the end of the 2020 reporting period, the following significant events have transpired that would be considered outside the normal trading operations:

In March 2021, the Company was awarded a £2.8 million grant from Innovate UK to support the Phase II development of AT247.

In March 2021 the Company received £2.5 million investment in the form of convertible loan note, on substantially the same terms, as a convertible loan note entered into in October 2020.

26. Transition to IFRS

This is the first time that the Company has presented financial information under IFRS, and the accounting policies set out herein have been applied in preparing the historical financial information for the year ended 31 December 2020, the comparative information presented and in the preparation of an opening IFRS statement of financial position at 1 June 2017 (the Company's date of transition).

The previously published financial statements were prepared under FRS102 (UK GAAP).

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

IFRS 1 First-Time Adoption of IFRS's

The Company has applied the following optional elections under IFRS 1 First-Time Adoption of IFRS

- Measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

- Implementing IFRS 15 prospectively from the date of transition, and to not restate contracts that were completed before the earliest period presented.

IFRS transition adjustments

The reconciliations in the following tables show the effect of the IFRS adjustments applied to the historical financial information at the date of transition (1 June 2017), and the current and comparative statement of financial positions (31 May 2018, 31 May 2019, 31 December 2019, 31 December 2020) and income statements for each period. No statement of cash flows has previously been presented, however no material changes to the classification of cash flows arise as a result of transition to IFRS.

The following adjustments arise on transition:

Correction of errors to previously reported FRS102:

2) Recalculation of effective interest recognition on borrowings to take into account a redemption discount & embedded derivative in accordance with IFRS 9.

4) Reclassification of R&D tax credit from other income to tax line

5) Adjustments to previously reported share-based payment expense

IFRS transition adjustments:

1) Recognition of leases under IFRS 16, whereby the asset and corresponding liability are recognised in the balance sheet, along with an adjustment to rent prepayments, and the derecognition of rent expense charge which is replaced by depreciation and interest expenses.

3) Adjustments to the timing and classification of revenue recognition and non-government grant income as a result of the application of IFRS 15.

Statement of Financial Position – Reconciliation to FRS 102 at transition – 1 June 2017

	Note	*FRS102* £	*FRS102 adjustments* £	*IFRS adjustments* £	*IFRS* £
Assets					
Non-current assets					
Intangible assets		68,057	–	–	68,057
Property, plant and equipment	1	272,050	–	279,616	551,666
Non-current receivables		48,000	–	–	48,000
		388,107	–	279,616	667,723
Current assets					
Trade and other receivables	3	734,698	–	22,500	757,198
Current tax receivable		110,464	–	–	110,464
Cash and cash equivalents		1,028,318	–	–	1,028,318
		1,873,480	–	22,500	1,895,980
Current liabilities					
Trade and other payables	1	714,828	–	(58,800)	656,028
Lease liabilities	1	–	–	64,820	64,820
Borrowings		237,707	–	–	237,707
		952,535	–	6,020	958,555
Non-current liabilities					
Lease liabilities	1	–	–	273,596	273,596
		–	–	273,596	273,596
Net Assets		1,309,052	–	22,500	1,331,552
Equity					
Share capital		16,241	–	–	16,241
Share premium account		5,623,051	–	–	5,623,051
Retained (loss) / earnings	3	(4,330,240)	–	22,500	(4,307,740)
Shareholders' funds		1,309,052	–	22,500	1,331,552

Statement of Financial Position – Reconciliation to FRS 102 at 31 May 2018

	Note	*FRS102* £	*FRS102 adjustments* £	*IFRS adjustments* £	*IFRS* £
Assets					
Non-current assets					
Intangible assets		59,724	–	–	59,724
Property, plant and equipment	1	225,114	–	213,428	438,542
Non-current receivables		48,000	–	–	48,000
		332,838	–	213,428	546,266
Current assets					
Inventories		11,389	–	–	11,389
Trade and other receivables	1	502,967	–	(5,867)	497,100
Current tax receivable		306,999	–	–	306,999
Cash and cash equivalents		704,942	–	–	704,942
		1,526,297	–	(5,867)	1,520,430
Current liabilities					
Trade and other payables	1	793,471	–	(57,201)	736,270
Lease liabilities	1	7,714	–	79,320	87,034
		801,185	–	22,119	823,304
Non–current liabilities					
Lease liabilities	1	26,999	–	194,276	221,275
Borrowings		351,784	–	–	351,784
		378,783	–	194,276	573,059
Net Assets		679,167	–	(8,834)	670,333
Equity					
Share capital		16,496	–	–	16,496
Share premium account		5,822,803	–	–	5,822,803
Share-based payments reserve		258,021	–	–	258,021
Retained (loss) / earnings	1	(5,418,153)	–	(8,834)	(5,426,987)
Shareholders' funds		679,167	–	(8,834)	670,333

Statement of Financial Position – Reconciliation to FRS 102 at 31 May 2019

	Note	*FRS102* £	*FRS102 adjustments* £	*IFRS adjustments* £	*IFRS* £
Assets					
Non-current assets					
Intangible assets		51,391	–	–	51,391
Property, plant and equipment	1	205,834	–	147,240	353,074
Non–current receivables		48,000	–	–	48,000
		305,225	–	147,240	452,465
Current assets					
Trade and other receivables	1	817,395	–	(8,000)	809,395
Current tax receivable		742,089	–	–	742,089
Cash and cash equivalents		3,446,883	–	–	3,446,883
		5,006,367	–	(8,000)	4,998,367
Current liabilities					
Trade and other payables	1	1,053,299	–	(39,600)	1,013,699
Lease liabilities	1	7,714	–	85,127	92,841
		1,061,013	–	45,527	1,106,540
Non-current liabilities					
Lease liabilities	1	19,285	–	109,148	128,433
		19,285	–	109,148	128,433
Net Assets		4,231,294	–	(15,435)	4,215,859
Equity					
Share capital		25,640	–	–	25,640
Share premium account		11,593,688	–	–	11,593,688
Share-based payments reserve	5	356,250	102,576	–	458,826
Retained (loss) / earnings	1,5	(7,744,284)	(102,576)	(15,435)	(7,862,295)
Shareholders' funds		4,231,294	–	(15,435)	4,215,859

Statement of Financial Position – Reconciliation to FRS 102 at 31 December 2019

	Note	*FRS102* £	*FRS102 adjustments* £	*IFRS adjustments* £	*IFRS* £
Assets					
Non-current assets					
Intangible assets		46,530	–	–	46,530
Property, plant and equipment	1	179,953	–	115,172	295,125
Non–current receivables		48,000	–	–	48,000
		274,483	–	115,172	389,655
Current assets					
Trade and other receivables	1,3	553,258	–	(4,000)	549,258
Current tax receivable		293,001	–	–	293,001
Cash and cash equivalents		3,073,684	–	–	3,073,684
		3,919,943	–	(4,000)	3,915,943
Current liabilities					
Trade and other payables	1,3	1,033,898	–	(94,333)	939,565
Lease liabilities	1	7,714	–	90,019	97,733
		1,041,612	–	(4,314)	1,037,298
Non–current liabilities					
Lease liabilities	1	14,785	–	45,606	60,391
		14,785	–	45,606	60,391
Net Assets		3,138,029	–	69,880	3,207,909
Equity					
Share capital		26,732	–	–	26,732
Share premium account		11,593,688	–	–	11,593,688
Share–based payments reserve	5	486,834	240,175	–	727,009
Retained (loss) / earnings	1,3,5	(8,969,225)	(240,175)	69,880	(9,139,520)
Shareholders' funds		3,138,029	–	69,880	3,207,909

Statement of Financial Position – Reconciliation to FRS 102 at 31 December 2020

	Note	*FRS102* £	*FRS102 adjustments* £	*IFRS adjustments* £	*IFRS* £
Assets					
Non-current assets					
Intangible assets		38,196	–	–	38,196
Property, plant and equipment	1	184,847	–	190,499	375,346
Non–current receivables		48,000	–	–	48,000
		271,043	–	190,499	461,542
Current assets					
Trade and other receivables	1	189,536	–	(24,000)	165,536
Current tax receivable		758,257	–	–	758,257
Cash and cash equivalents		2,898,460	–	–	2,898,460
		3,846,253	–	(24,000)	3,822,253
Current liabilities					
Trade and other payables	1,3	1,286,946	–	16,172	1,303,118
Lease liabilities	1	23,686	–	81,529	105,215
		1,310,632	–	97,701	1,408,333
Non–current liabilities					
Lease liabilities	1	31,673	–	160,230	191,903
Borrowings	2	1,867,614	(169,385)	–	1,698,229
Derivative financial instruments	2	–	211,543	–	211,543
		1,899,287	–	202,388	2,101,675
Net Assets		907,377	–	(133,590)	773,787
Equity					
Share capital		27,155	–	–	27,155
Share premium account		11,593,688	–	–	11,593,688
Share–based payments reserve	5	763,833	280,998	–	1,044,831
Retained (loss) / earnings	1,2,3,5	(11,477,299)	(280,998)	(133,590)	(11,891,887)
Shareholders' funds		907,377	–	(133,590)	773,787

Statement of Comprehensive Income – year ended 31 May 2018

	Notes	FRS102 £	FRS102 adjustments £	IFRS adjustments £	IFRS £
Revenue	3	1,271,546	–	78,500	1,350,046
Cost of Sales		–	–	–	–
Gross profit		1,271,546	–	78,500	1,350,046
Other operating income	3,4	746,468	(59,502)	(101,000)	585,966
Research and development costs		(2,329,526)	–	–	(2,329,526)
Other administrative expenses	1	(1,019,118)	–	14,924	(1,004,194)
Operating loss		(1,330,630)	(59,502)	(7,576)	(1,397,708)
Interest income		145	–	–	145
Interest expense	1	(4,924)	–	(23,758)	(28,682)
Loss before tax		(1,335,409)	(59,502)	(31,334)	(1,426,245)
Taxation	4	247,496	59,502	–	306,998
Loss for the financial year		(1,087,913)	–	(31,334)	(1,119,247)

Statement of Comprehensive Income – year ended 31 May 2019

	Notes	FRS102 £	FRS102 adjustments £	IFRS adjustments £	IFRS £
Revenue		747,672	–	–	747,672
Cost of Sales		–	–	–	–
Gross profit		747,672	–	–	747,672
Other operating income	4	964,158	(65,827)	–	898,331
Research and development costs		(3,085,298)	–	–	(3,085,298)
Other administrative expenses	1,5	(1,324,269)	(102,576)	11,139	(1,415,706)
Operating loss		(2,697,737)	(168,403)	11,139	(2,855,001)
Interest income		8,579	–	–	8,579
Interest expense	1	(6,236)	–	(17,740)	(23,976)
Loss before tax		(2,695,394)	(168,403)	(6,601)	(2,870,398)
Taxation	4	369,263	65,827	–	435,090
Loss for the financial year		(2,326,131)	(102,576)	(6,601)	(2,435,308)

Statement of Comprehensive Income – 7 month period ended 31 December 2019

	Notes	FRS102 £	FRS102 adjustments £	IFRS adjustments £	IFRS £
Revenue	3	989,077	–	85,000	1,103,077
Cost of Sales		–	–	–	–
Gross profit		989,077	–	85,000	1,103,077
Other operating income	4	418,284	(43,986)	–	345,298
Research and development costs		(2,079,457)	–	–	(2,079,457)
Other administrative expenses	1,5	(807,349)	(137,599)	7,940	(937,008)
Operating loss		(1,479,445)	(181,585)	92,940	(1,568,090)
Interest income		5,489	–	–	5,489
Interest expense	1	–	–	(7,625)	(7,625)
Loss before tax		(1,473,956)	(181,585)	85,315	(1,570,226)
Taxation	4	249,015	43,986	–	293,001
Loss for the financial year		(1,224,941)	(137,599)	85,315	(1,277,225)

Statement of Comprehensive Income – year ended 31 December 2020

	Notes	FRS102 £	FRS102 adjustments £	IFRS adjustments £	IFRS £
Revenue	3	1,721,593	–	(24,000)	1,697,593
Cost of Sales		–	–	–	–
Gross profit		1,721,593	–	(24,000)	1,697,593
Other operating income	3,4	630,944	(67,488)	(111,000)	452,456
Research and development costs		(3,936,557)	–	–	(3,936,557)
Other administrative expenses	1,5	(1,590,162)	(40,823)	(10,529)	(1,641,514)
Operating loss		(3,174,182)	(108,311)	(145,529)	(3,428,022)
Interest income		2,976	–	–	2,976
Interest expense	2	(29,348)	(42,158)	(15,783)	(87,289)
Loss before tax		(3,200,554)	(108,311)	(203,470)	(3,512,335)
Taxation	4	692,480	67,488	–	759,968
Loss for the financial year		(2,508,074)	(40,823)	(203,470)	(2,752,367)

PART V

CORPORATE GOVERNANCE

As a company that will be admitted to trading to AIM, the Company is not required to comply with a particular corporate governance code. However, it is required to provide details of the corporate governance code that it has decided to apply and state how it will comply with that code.

The Directors support high standards of corporate governance and have decided to comply with the QCA Code. Set out below are details of how the Company will comply with the QCA Code with effect from Admission.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company's business model and strategy is set out in Part I of this document. The Board will hold at least one session each year dedicated to strategy, which will include input from senior members of the Arecor team and any necessary external advisers. A strategic report reflecting the outcome of such sessions will be included in the Company's annual report and accounts.

The principal risks facing the Company are set out in Part II of this document. The Board will monitor internal controls and systems which identify, assess, monitor and manage business risks. This will include a corporate risk register which sets out risks and mitigation steps to manage in the normal course of the business post-Admission. See in addition, Principle 4 below.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board is committed to open and ongoing engagement with the Company's Shareholders. The Board will communicate with Shareholders through:

- the annual report and accounts;
- the interim and full-year results announcements;
- trading updates (where required or appropriate);
- the annual general meetings; and
- the Company's investor relations website (in particular, the "RNS News" and "AIM Rule 26" pages).

From Admission, the Chief Financial Officer will be the primary contact for Shareholders and there will be a dedicated e-mail address for shareholder questions and comments.

Regular meetings will be held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financial and business development activities are communicated effectively.

The Board intends to engage with Shareholders who do not vote in favour of resolutions at annual general meetings to understand their motivation.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including employees, existing and new customers, academics and its advisory group that it collaborates with as part of its business strategy, in order to achieve long-term success.

The Executive Directors will maintain an ongoing dialogue with stakeholders to inform strategy and the day-to-day running of the business. The Company's business strategy includes a social purpose to improve health wellbeing.

In the normal course of business, proteins are stabilised in solution to avoid the need for cold chains which have a significant energy footprint. This is particularly important for proteins and vaccines in the developing world.

The Company develops novel formulations using known available ingredients and so the environmental footprint of additional manufacturing processes is very low. The business strategy of developing biosimilars improves the access and costs of advanced healthcare for underserved populations.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The principal risks facing the Company and the industry in which it operates are set out in Part II of this document. These risks will be reviewed at least once a year and included in the annual report and accounts.

The Company currently operates a risk framework including a risk register that is managed by the Chief Financial Officer with inputs from Risk Officers who are members of the leadership team and responsible for managing risk in their business functions. The risk register is intended to be signed off annually by the Board and included in the annual report and accounts. The Chief Executive Officer and Audit and Risk Committee intend to review the risk register regularly throughout the year.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

On Admission, the Board will comprise seven directors:

- Andrew Richards (Chair), Sam Fazeli, Alan Smith, Christine Soden and Jeremy Morgan as Non-Executive Directors; and
- Sarah Howell (CEO) and Susan Lowther (CFO) as Executive Directors.

The biographies of the Directors are provided in Part I of this document.

Christine Soden, Jeremy Morgan and Sam Fazeli are considered by the Board to be independent Non-Executive Directors and were selected with the objective of bringing experience and independent judgement to the Board. Andrew Richards, Sam Fazeli and Alan Smith bring extensive knowledge of the business, the sector it operates in and experience of public markets to the Board.

The Board has been constructed to ensure that it has the right balance of skills, experience, independence and knowledge of the business.

The Board is also supported by the Audit and Risk Committee, Nomination Committee and Remuneration Committee. Details of these committees are set out in Part I of this document.

The Board will meet regularly and at least eight times a year. Processes are in place to ensure that each member of the Board is, at all times, provided with such information as is necessary for him/her to discharge his/her duties.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The skills and experience of the Directors are summarised in their biographies set out in Part I of this document.

The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Non-Executive Chair is responsible for ensuring an effective Board. Post- Admission, the Company intends to establish a formal process for evaluating the performance of the Board, the committees, and the

individual Directors against its objectives to ensure that members of the Board provide relevant and effective contribution.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Company promotes a culture of integrity, transparency, honesty, trust and respect and all employees of the Company are expected to operate in an ethical manner in all of their internal and external dealings.

The staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees.

The Board takes responsibility for the promotion of ethical values and behaviours throughout the Company, and for ensuring that such values and behaviours guide the objectives and strategy of the Company.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Non-Executive Chair leads the Board and is responsible for its governance structures, performance and effectiveness. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Financial Officer is the primary contact for the Company's Shareholders and responsible for ensuring that the link between the Board and the shareholders is strong and efficient. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board has adopted Terms of Reference, which have a clear and specific schedule of matters reserved for the Board, including corporate governance, strategy, major investments, financial reporting and internal controls.

The Board is supported by the Audit and Risk Committee, Nomination Committee and Remuneration Committee. Details of these committees and their responsibilities are set out in Part I of this document. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, as and when they arise. The Remuneration Committee includes two members, Andrew Richards and Alan Smith, who are not considered independent. However, the Company's considers their membership appropriate in light of the Company's size and the presence of two independent Non-Executive Directors on the Committee.

The Board intends to review the governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company intends to use the following principal methods of communication with its Shareholders:

- the annual report and accounts;
- the interim and full-year results announcements;
- trading updates (where required or appropriate)
- the annual general meetings; and
- the Company's investor relations website (in particular, the "RNS News" and "AIM Rule 26" pages which will go live on Admission).

The Company's website is updated on a regular basis with information regarding the Company's activities and performance. The Company's reports, presentations, notices of annual general meetings, and results of voting at shareholder meetings will also be made available on the website.

PART VI

ADDITIONAL INFORMATION

1. INCORPORATION

1.1 The Company was incorporated and registered in England and Wales on 13 April 2021 under the Companies Act as a private limited company with registered number 13331147 and the name Arecor Therapeutics Limited. By virtue of a special resolution dated 24 May 2021 the Company was re-registered under section 90 of the Companies Act as a public limited company with its current name.

1.2 In order to satisfy certain requirements in connection with Admission, the Company was inserted as a new parent undertaking of the Group by way of a share and loan note exchange with the shareholders of, and holders of convertible loan notes in Arecor Limited on 24 May 2021.

1.3 The Company is a public limited company and accordingly, the liability of its members is limited to the amount paid up or to be paid up on their shares.

1.4 The principal legislation under which the Company operates and under which the Placing Shares have been or will be created is the Companies Act and the regulations made thereunder. The Company is domiciled in the United Kingdom.

1.5 The head and registered office of the Company is at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL (telephone number +44 (0)1223 426060).

1.6 The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations are carried on by the Company's subsidiary.

1.7 As at the date of this document, the Company has, and will on Admission have, the following wholly-owned subsidiary:

Name	*Registered Number*	*Status*	*Place of Incorporation*	*Interest held by the Company (%)**
Arecor Limited	06256698	Active	England and Wales	100

* Denotes voting rights

1.8 The Company's website address, at which the information required by Rule 26 of the AIM Rules can be found, is https://arecor.com/.

1.9 The accounting reference date of the Company is 31 December.

2. SHARE CAPITAL

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

	Pre-Admission		*Immediately following Admission*	
	Number of shares	*Nominal value*	*Number of shares*	*Nominal value*
Ordinary Shares:				
Issued and fully paid	16,668,066	£166,680.66	27,683,532	£276,835.32

The Articles do not contain any limit on the number of Ordinary Shares which the Company may issue.

On 2 June 2021, 3,716,814 EIS/VCT Placing Shares will be issued unconditionally and 5,132,744 General Placing Shares will be issued conditional on Admission, pursuant to the Placing at a price of 226 pence per Placing Share.

2.2 The following changes have occurred in the issued share capital of the Company since 13 April 2021, being the date of its incorporation:

2.2.1 the issued share capital of the Company as at incorporation on 13 April 2021 was 1 ordinary share of £0.01, which was issued to Sarah Howell;

2.2.2 by resolutions passed on 24 May 2021 the Company approved the issue, pursuant to the Share and CLN Exchange Agreement, of the same number of shares in the Company to each shareholder of Arecor Limited, of the same class and same nominal value and having the same rights as the shares such shareholder held in Arecor Limited prior to the Share and CLN Exchange, such that the share capital of the Company became a mirror image of the share capital of Arecor Limited prior to the Share and CLN Exchange (it being noted that Sarah Howell held the 1 ordinary share of £0.01 in issue in the capital of the Company, being the subscriber share, which was gifted back to the Company and cancelled simultaneously with the Share and CLN Exchange). The Share and CLN Exchange Agreement is described in paragraph 11.1.4 of this Part VI;

2.2.3 on 2 June 2021, pursuant to a Shareholders' resolution passed on 26 May 2021 and class consents:

(a) the A ordinary shares, A1 ordinary shares and B ordinary shares will be converted into ordinary shares;

(b) the ordinary shares will then be converted to C ordinary shares; and

(c) the Company will re-name the C ordinary share class as Ordinary Shares; and

2.2.4 Under the CLNs, immediately prior to the re-designation detailed at paragraph 2.2.3(c) above, the principal amount of then outstanding convertible loan stock and any accrued by unpaid interest, unless Admission occurs prior to 28 October 2021 (in which case any interest accrued will be disregarded), will be converted into fully paid C ordinary shares (the Conversion Shares) which will be re-designated as Ordinary Shares as part of the re-designation detailed at paragraph 2.2.3(c) above,

(together, the "**Reorganisation**").

2.3 On 26 May 2021, conditional upon Admission becoming effective on or before 3 June 2021, other than in respect of the 3,716,814 EIS/VCT Placing Shares and the 2,165,908 Conversion Shares, the shareholders of the Company passed resolutions to the following effect:

2.3.1 the Directors were authorised, pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of "relevant securities") up to an aggregate nominal amount of:

(a) £21,659.08 in connection with the issue of fully paid C ordinary shares of £0.01 each in the capital of the Company, as a result of the conversion of the Convertible Loan Notes, immediately prior to the re-designation detailed in paragraph 2.2.3(c) above (the "Conversion Allotments");

(b) £37,168.14 in connection with the placing of 3,716,814 Ordinary Shares to certain Enterprise Investment Scheme and Venture Capital Trust investors (the "EIS/VCT Allotments");

(c) £51,327.44 in connection with the General Placing (the "Initial Allotments");

(d) £31,057.87 in connection with the grant of options (or other rights to acquire Ordinary Shares) in accordance with the rules of the Company's share option schemes (as varied from time to time) or otherwise, or in connection with the acquisition by the Company of any shares in any of its subsidiaries issued or which would be issued on the exercise of any existing options to acquire shares in the capital of such subsidiaries (the "Option Allotments");

(e) £92,278.44 (other than pursuant to paragraphs (a), (c) and (d) above); and

(f) £92,278.44 (other than pursuant to paragraphs (a), (b), (c), (d) and (e) above) in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of Ordinary Shares where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, or any other matter which the Directors consider merits any such exclusion or other arrangements),

provided that, in each case, such authority shall expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company in general meeting), but the Company may before the authority expires (or is revoked or varied) make an offer or agreement which would or might require relevant securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied; and

2.3.2 the Directors were empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority conferred by the resolution referred to at paragraph 2.3.1 above as if section 561 of the Companies Act did not apply to any such allotment, provided that the authority shall:

(a) be limited to:

(i) the Conversion Allotments, the EIS/VCT Allotments and the Initial Allotments;

(ii) the Option Allotments;

(iii) the allotment of equity securities pursuant to the authority referred to in paragraph 2.3.1(f) above; and

(iv) the allotment of equity securities for cash otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above in respect of (A) the allotment of equity securities up to an aggregate nominal amount of £13,841.76 and (B) in addition to the amount in sub-section (A) of this paragraph (iv), the allotment of equity securities for cash up to an aggregate nominal amount of £13,841.76, provided that any allotment of equity securities under this sub-section (B) of this paragraph (iv) shall only be used in connection with an acquisition or a specified capital investment; and

(b) subject to the continuance of the authority conferred by the resolution referred to at paragraph 2.3.1 above, expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company by special resolution) but the Company may before the authority expires (or is revoked or varied) make an offer or agreement which would or might require equity securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot equity securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied.

2.3.3 the Articles (certain provisions of which are summarised below) were adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

2.4 The provisions of section 551 of the Companies Act, which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up fully in cash, other than by way of allotment to employees under an employee share scheme (as defined in section 1166 of the Companies Act) will apply to the Ordinary Share capital of the Company, to the extent that such rights are not disapplied by special resolution by the shareholders pursuant to section 570 of the Companies Act in accordance with paragraph 2.3.2 above or otherwise.

2.5 Save as disclosed in this document:

2.5.1 no loan capital of the Company has been issued or is proposed to be issued;

2.5.2 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;

2.5.3 no person has any preferential subscription rights for any share capital of the Company;

2.5.4 none of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission;

2.5.5 no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and no shares in the Company are held by the Company or any of its subsidiary undertakings.

2.6 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form. The Ordinary Shares will have the rights and be subject to the restrictions referred to in paragraph 3.1 of this Part VI.

2.7 The Placing Shares to be issued pursuant to the Placing and the Conversion Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.

2.8 On Admission, there will be 337,434 Ordinary Shares outstanding under options granted pursuant to the Plan, which are held by certain Directors and employees of the Group.

2.9 Save as disclosed in paragraph 9.2 of this Part VI, the Company has not issued or granted, or agreed to issue or grant, any options, warrants, exchangeable securities, securities with warrants or any convertible securities of the Company.

2.10 As at the date of this document, there is no class of shares in issue other than Ordinary Shares and no shares have been issued other than as fully paid.

2.11 The Ordinary Shares are not being marketed or being made available to the public in whole or in part in conjunction with the application for Admission.

2.12 The Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility nor has any application for such admission been made and it is not intended to make such arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

3. ARTICLES OF ASSOCIATION AND RELATED RIGHTS

3.1 Articles

The constitution of the Company provides that the objects of the Company shall be unrestricted. The Articles contain, *inter alia*, provisions to the following effect:

3.1.1 *Rights attaching to Ordinary Shares*

(a) Voting rights

Subject to disenfranchisement in the event of any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares as mentioned in paragraph 3.4 below, and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there will be none immediately following Admission), on a show of hands every member who, being an individual, is present in person shall have one vote (every member who is present by one or more proxies or authorised representatives shall have one vote in respect of each proxy or authorised representative appointed by him) and on a poll each member present in person or by proxy or authorised representative shall have one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members is accepted to the exclusion of any votes tendered by any other joint holders.

(b) Dividends

The Company may, by ordinary resolution from time to time, declare dividends to be paid to members according to their rights and interests in the profits available for distribution. Dividends are not payable on any fixed dates.

(c) Return of capital

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there will be none immediately following Admission), on a winding-up the surplus assets remaining after payment of all creditors of the Company will be divided amongst the members of the Company according to their respective holdings of shares.

(d) Restrictions on shareholders

If a member or any other person appearing to be interested in shares, has been given notice under section 793 of the Companies Act and has failed to give information of their interest in any shares (the "**Default Shares**") within a prescribed time, not being less than 14 days, the member shall not be entitled in respect of the Default Shares to attend or vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares or to exercise any other right in relation to general meetings of the Company or meeting of the holders of any class of its shares. Where the Default Shares represent 0.25 per cent. or more (in number) of the issued shares of a class, then the Company shall be entitled to withhold any dividend (or part thereof), any right to receive shares instead of a dividend or other money which would otherwise be payable in respect of the Default Shares and the Directors may refuse to register any transfer of the Default Shares other than to a *bona fide* unconnected third party.

3.1.2 *Transfer of shares*

Subject to the restrictions in the articles, Ordinary Shares are in registered (certificated or uncertificated) form and are freely transferable.

A member may transfer all or any of his uncertificated shares and the Company shall register the transfer of any uncertificated shares in accordance with any applicable statutory provision. The Directors may refuse to register the transfer of an uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations to the extent that the Company is permitted to do so by the CREST Regulations (other than in the case of a transfer to joint holders, when the number of joint holders to whom the share is to be transferred does not exceed four), provided that where the uncertificated shares are admitted to AIM, such a refusal would not prevent dealings

in the shares of that class taking place on an open and proper basis. If the board of directors refuses to register a transfer of an uncertificated share it shall, within two months of the date on which the operator instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

A member may transfer all or any of his certificated shares by an instrument in writing in any usual form, or in any other form which the Directors may approve. The instrument of transfer of a partly paid share shall be executed by or on behalf of the transferee. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not fully paid up or on which the Company has a lien provided that, where any such shares are admitted to the Official List or to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. The Directors may also refuse to register a transfer of a certificated share, whether or not fully paid, unless (1) the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; or (2) the instrument of transfer is in respect of only one class of share; or (3) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four. If the Directors refuse to register a transfer of a share they shall, by the earlier of (1) the time required by the rules of the London Stock Exchange or the FCA in force for the time being; or (2) two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

3.1.3 ***Changes in capital***

The Company may by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(b) sub-divide its shares, or any of them, into shares of a smaller amount than its existing shares; and

(c) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Subject to the provisions of the Companies Act and to the rights attaching to existing shares, the Company may:

(i) by ordinary resolution purchase, or enter into a contract under which it will or may purchase, its own shares; and

(ii) by special resolution reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any manner.

3.1.4 ***Variation of rights***

Subject to the provisions of the Companies Act, if at any time the capital of the Company is divided into different classes of shares (noting that immediately following Admission, it will consist of only Ordinary Shares), the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by these rights or in the absence of any such provisions, with the consent in writing of the holders of not less than three-quarters in nominal value of the shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At any separate general meeting, the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (excluding treasury shares) or, at any adjourned meeting of such holders, shall be one person holding shares of the class in question in person or by proxy whatever his or their holding. Every holder of the shares of the class present in person shall, on a show of hands have one vote (every member present by one or more proxies or authorised representatives shall be entitled to one vote for every proxy or authorised representative appointed by him), or on a poll, have one vote in respect of every share of the class held by them respectively and a poll may be demanded by any holder of shares of the class present in person or by proxy.

3.1.5 ***Directors***

(a) The number of Directors (other than alternate directors) shall not be less than two. There shall be no more than ten directors.

(b) A Director shall not be required to hold any shares of the Company by way of qualification.

(c) There shall be no age limit for Directors.

(d) At each annual general meeting at least one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each Director shall be required to retire and offer himself for re-election at least every three years. A retiring Director who is willing to act shall be eligible for reappointment by ordinary resolution at the annual general meeting.

(e) The Directors shall be entitled to such remuneration by way of fees for their services in the office of a director as the Directors may determine. Any salary, remuneration or other amount payable to a Director in respect of any executive office held by him or other work performed by him which is beyond the scope of his office as a Director, shall be paid to him either in addition to or in lieu of his remuneration as a Director.

(f) The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

(g) The Directors may purchase and maintain insurance, for the benefit of any persons who are or were at any time Directors, officers (excluding auditors) or employees of the Company or any other company or undertaking which is (a) the holding company of the Company, or (b) otherwise allied to or associated with the Company or a subsidiary of the Company or (c) a predecessor in business of the Company or of any such holding company, or who were at any time trustees of any pension fund in which employees of the Company, or of any other such company or subsidiary undertaking, are interested.

(h) Subject to the provisions of the Companies Act a Director may be a party to or otherwise interested in any contract, transaction, arrangement or proposal with the Company or in which the Company is otherwise interested either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise. A Director may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in such professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any remuneration shall be in addition to any remuneration provided for by any other article.

(i) A Director who to his knowledge is in any way (directly or indirectly) interested in a contract, transaction, arrangement or proposal with the Company shall declare the nature of his interest before the Company enters into the transaction or arrangement or, where the transaction or arrangement has already been entered into by the Company, as soon as practicable after the interest arises or, as the case may be, the Director knows that he is or has become so interested, in each case in accordance with the Companies Act.

(j) A Director shall not vote or be counted in the quorum on any resolution of the directors concerning his own appointment (including the fixing and varying of terms of appointment or the termination thereof) as the holder of any office or place of profit with the Company or any other company in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including the fixing or varying of terms of appointment) of two or more Directors to offices or employment with the Company or any body corporate in which the Company is interested (other than one in which the Director and any persons connected with him have such an interest) the proposals

may be divided and considered in relation to each director separately and (provided he is not under the Articles or for any other reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

(k) A Director shall not vote or count in the quorum in relation to a resolution or meeting of the Directors in respect of any contract or arrangement or any other proposals whatsoever in which he has an interest which (together with any interest of a connected person) to his knowledge is a material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum) on: (a) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company; (b) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations undertaken 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 the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; (c) any transaction relating to an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate; (d) any contract, transaction, arrangement or proposal to which the Company is or is to be a party relating to another company, including any subsidiary undertaking of the Company (not being a company in which a Director owns one per cent. or more), in which he and any persons connected with him do not to his knowledge (directly or indirectly) hold an interest in shares (as that term is used in Part 22 of the Companies Act) whether as an officer, shareholder, creditor or otherwise representing one per cent. or more of any class of the equity share capital, or the voting rights, in that company or of any other company through which his interest is derived; (e) any contract, transaction, arrangement or proposal for the benefit of employees of the Company or any of its subsidiary undertakings (including in relation to a pension fund, retirement, death or disability benefits scheme or personal pension plan) which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; (f) any contract, transaction, arrangement or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors; and (g) (save in relation to any matter concerning or affecting his own participation therein) any transaction involving the adoption or modification of any share option or share incentive scheme of the Company.

(l) The provisions of the Articles relating to the permitted interests of the directors and their ability to vote thereon may be suspended or relaxed and a transaction not duly authorised thereby may be ratified, in each case by ordinary resolution.

(m) Without prejudice to any of such provisions of the Articles the Directors have power, in accordance with the Companies Act, to authorise any interest of a Director (including an interest arising from any duty a Director may owe to, or interest he may have as an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or as a direct or indirect investor in, the Company) which conflicts, or may conflict, with the interests of the Company, not being in relation to a contract or arrangement between the Director and the Company itself.

3.1.6 ***Borrowing powers***

The board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board of 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) so as to secure (but as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all

borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the Adjusted Capital and Reserves (as defined in the Articles) or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

3.1.7 ***Meetings***

Subject to the provisions of the Companies Act, an annual general meeting shall be called by at least 21 clear days' notice, and all other general meetings shall be called by at least 14 clear days' notice. The notice should specify the place, the date and the time of meeting and the general or special nature of business to be transacted. A general meeting shall, notwithstanding that it has been called by shorter notice than that specified above, be deemed to have been duly called if it is so agreed in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at that meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

3.1.8 ***Unclaimed dividends***

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall be forfeited and revert to the Company.

3.2 **Mandatory takeover bids, squeeze out and sell out rules**

Other than as provided by the Companies Act and the Takeover Code, there are no rules or provisions relating to mandatory bids, squeeze-out or sell-out rights which apply to the Ordinary Shares. There are no provisions in the Articles of the Company delaying, deferring or preventing a change of control of the Company.

3.3 **Notice of 3 per cent. interests**

Subject to certain qualifications and exceptions, Chapter 5 of the Disclosure Guidance and Transparency Rules of the FCA requires that a person who acquires an interest in three per cent. or more of the voting rights attaching to issued voting shares of a company whose shares are admitted to AIM, whether such shares are held directly or by means of a derivative contract which results in a right to acquire such shares or an instrument having similar economic effect, must, within two business days of such acquisition, or of his becoming aware of the facts constituting the acquisition of the interest, notify the Company of his interest. If, while he has such an interest, he acquires or disposes of an interest representing one per cent. or more of the voting rights attaching to issued voting shares of the Company he must notify that event and must also notify the cessation of his having a three per cent. interest. Where a person is party to an agreement between two or more persons which obliges them to adopt by concerted exercise of voting rights a lasting common policy towards the management of the Company, the interests of all such persons are aggregated for the purposes of the notification provisions and each party is required to notify not only his own interests and changes therein but those of the other parties to the agreement. All notifications received under these provisions will be the subject of a public announcement under the AIM Rules.

3.4 **Requirement to disclose interests in voting shares**

Under provisions contained in Part 22 of the Companies Act the Company may serve a notice on any person who it believes has, or may in the previous three years have had, an interest in its voting shares requiring them to give particulars of their interest, or, if no interest is then held, of any person to whom any previous interest was transferred. The Company must exercise its right to serve such a notice if required to do so by holders of at least ten per cent. of its paid up voting shares. Failure to comply with a notice is a criminal offence and the Company may impose sanctions against the shareholder concerned under its Articles including disenfranchisement, withholding of dividends and restrictions on transfer. "Interest" is widely defined and includes an interest of any kind in the shares, subject to certain specific exclusions, but "interest" includes, *inter alia*, an agreement to purchase shares or the right to do so by virtue of an option and a person is interested in shares held by companies which he

controls or by his spouse, civil partner or children and where a person is party to an agreement between two or more persons that includes provisions for the acquisition by any one or more of them of interests in shares of the Company which imposes obligations or restrictions on any one or more of the parties with respect to their use, retention or disposal of such interests and such interests are acquired in pursuance of any agreement, each party to the agreement is regarded as interested in the shares held by each other such party.

4. TAKEOVER CODE, MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES

4.1 Public Takeover Bids

4.1.1 *City Code on Takeovers and Mergers*

The Company will be subject to the provisions of the Takeover Code, including the rules regarding mandatory takeover offers set out therein. Brief details of the Takeover Panel, the Takeover Code and the protections they afford are described below. The Takeover Code is issued and administered by the Takeover Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code. For the purpose of the Takeover Code, a takeover will include any transaction which has its objective or potential effect (directly or indirectly) obtaining or consolidating control of a company. For this purpose, control is defined as an interest or interests in shares carrying more than 30 per cent. of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

4.1.2 *Mandatory bids*

Under Rule 9 of the Takeover Code, when (i) a person acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (ii) any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him. Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Takeover Panel consent. For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph 9 of the definition of 'acting in concert' also presumes any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established.

4.1.3 *Squeeze-out rules*

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made to acquire the Ordinary Shares and the offeror were to acquire, or contract to acquire, not less than 90 per cent. of the Ordinary Shares to which the takeover offer related within three

months of the last day on which its offer can be accepted, the offeror could then compulsorily acquire the remaining ten per cent. The offeror would do so by sending a notice to the outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror's favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the general offer.

4.1.4 ***Sell-out rules***

The Companies Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in the above paragraph. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares. The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving of the notice. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

No takeover offers have been made in respect of the Company since its incorporation.

5. SUBSTANTIAL SHAREHOLDINGS

As at 25 May 2021 (being the latest practicable date prior to the publication of this document), the Directors were aware of the following direct and indirect interests (as disclosed to the Company under the Disclosure Guidance and Transparency Rules or under Part 22 of the Companies Act or otherwise known to the Directors) (other than interests held by the Directors) which represent three per cent. or more of the votes attaching to the issued share capital of the Company at the date of this document or immediately following Admission:

	Pre-Admission		*Immediately following Admission*	
Shareholder	*Number of Ordinary Shares held*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares held*	*Percentage of Enlarged Share Capital*
Unilever*	2,929,926	17.6%	2,929,926	10.6%
Calculus Funds**	1,818,186	10.9%	2,425,364	8.8%
Oxford Technology 4 VCT Plc	824,448	4.9%	824,448	3.0%
BGF Investment Management Limited	1,424,502	8.5%	3,759,802	13.6%
Stewart Newton	1,309,662	7.9%	1,407,990	5.1%
Downing LLP***	1,272,726	7.6%	1,733,886	6.3%
Martin & Kathleen Wood	1,150,434	6.9%	1,150,434	4.2%
Dr. Sarah J. Howell	788,742	4.7%	788,742	2.8%
Albion Capital Funds****	1,272,726	7.6%	1,534,768	5.5%
Chelverton Asset Management	0	0%	1,313,607	4.7%
Unicorn AIM VCT	0	0%	1,106,195	4.0%
Amati AIM VCT	0	0%	840,708	3.0%

* Total numbers are the aggregate amounts held by different Unilever entities

** Total numbers are the aggregate amounts held by different Calculus entities namely, Calculus VCT plc and Calculus Nominees Limited

*** Total numbers are the aggregate amounts held by Downing entities

**** Total numbers are the aggregate amounts held by different Albion Capital Funds entities being, Albion Development VCT PLC, Albion Enterprise VCT PLC, Albion Technology & General VCT PLC, Albion Venture Capital Trust PLC, Crown Place VCT and Kings Arms Yard VCT PLC

There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by any other holder of Ordinary Shares.

Save as disclosed above, the Directors are not aware of any person who is or will be immediately following Admission, directly or indirectly, interested in three per cent. or more of the votes attached to the issued share capital of the Company, or of any other person who immediately following Admission can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no present arrangements known to the Company, the operation of which may at a future date result in a change of control of the Company.

None of the substantial shareholders set out above has different voting rights from any other holder of Ordinary Shares (or, prior to Admission, ordinary shares of £0.01 each in nominal value) in respect of any Ordinary Shares (or, prior to Admission, ordinary shares of £0.01 each in nominal value) held by them.

6. PLACING ARRANGEMENTS

6.1 Placing Agreement

Pursuant to the Placing Agreement, Panmure Gordon has agreed, subject to certain conditions (including Admission), as agent for the Company to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price.

The Placing Agreement is conditional on, *inter alia*, Admission occurring by 8.00 a.m. on 3 June 2021 or by such later date as is agreed between the Company and Panmure Gordon, being not later than 8.00 a.m. on 24 June 2021.

The Placing Agreement contains certain customary representations and warranties from the Company and the Directors, in favour of Panmure Gordon, as to the accuracy of the information in this document and certain other matters concerning the Group and an indemnity from the Company to Panmure Gordon and its affiliates in respect of certain liabilities and claims that may arise or be made against them in connection with the Placing and Admission.

The Company has agreed to pay to Panmure Gordon a commission on the aggregate value of the Placing Shares subscribed for at the Placing Price and to reimburse certain costs and expenses of the Placing, together with any applicable VAT.

Panmure Gordon has the right to terminate the Placing Agreement prior to Admission in certain circumstances, including, *inter alia*, any breach by the Company or any Director of any of their respective obligations or warranties in the Placing Agreement, which, in the opinion of Panmure Gordon (acting in good faith) is in any respect material in the context of the business of the Group, the Placing and/or Admission, or in certain force majeure situations.

If the Placing Agreement is terminated prior to the issue of any Placing Shares, the Placing will not proceed and no Placing Shares will be issued under the Placing. If the Placing Agreement is terminated after the issue of the EIS/VCT Placing Shares but prior to Admission, the General Placing will not proceed and no General Placing Shares will be issued under the Placing but all obligations and liabilities of the Placees to whom EIS/VCT Placing Shares have been issued will survive termination of the Placing Agreement. The Placing Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

6.2 Nominated Adviser and Broker Agreement

The Company, the Directors and Panmure Gordon have entered into a nominated adviser and broker agreement dated 26 May 2021 ("**Nominated Adviser and Broker Agreement**") pursuant to which, and conditional upon Admission, the Company has appointed Panmure Gordon to act as its nominated adviser, financial adviser and corporate broker for the purposes of the AIM Rules for Companies.

The Company has also agreed to pay to Panmure Gordon an annual advisory fee for its services as nominated adviser. The Nominated Adviser and Broker Agreement contains certain indemnities given

by the Company to Panmure Gordon. The agreement is governed by English law and the parties submit to the exclusive jurisdiction of the courts of England.

6.3 Lock-in Agreements

Under the Placing Agreement, each of the Directors, who on Admission will be the holders of 1,395,530 Ordinary Shares in aggregate, representing approximately 5.04 per cent. of the Enlarged Share Capital, have undertaken to the Company and Panmure Gordon (subject to certain limited and customary exceptions) not to dispose of any interest in any Ordinary Shares owned by them or any connected person prior to the date which is 12 months from the date of Admission (the Directors' Lock-up Period), and, for a further period of 12 months following the expiry of the Directors' Lock-up Period, only to dispose of their Ordinary Shares through Panmure Gordon (or such broker as may be the broker of the Company for the time being) during that period in such a way as to maintain an orderly market.

In addition, each other existing Shareholder, who on Admission will be the holder of one per cent. or more of the Enlarged Share Capital (excluding any Placing Shares acquired by such shareholders) (representing approximately 15,705,851 Ordinary Shares has undertaken to the Company and Panmure Gordon, by way of separate lock-in agreements, not to dispose of any interest in any Ordinary Shares (but excluding any interest in Ordinary Shares issued pursuant to the Placing) which is owned by them or any connected person immediately prior to Admission, prior to the date which is 12 months from the date of Admission (the Shareholder's Lock-up Period) without the prior written consent of Panmure Gordon, and, for a further period of 12 months following the expiry of the Shareholder's Lock-up Period, only to dispose of their Shares through Panmure Gordon (or such broker as may be the broker of the Company for the time being) during that period in such a way as to maintain an orderly market, except in certain limited circumstances considered customary for an agreement of this nature.

7. THE BOARD OF DIRECTORS

7.1 The Board

The Board is headed by the Non-Executive Chair with management led by a Chief Executive Officer. At Admission, the Board will comprise five Non-executive Directors (including the Chair) and two Executive Directors. Three of the Non-executive Directors are considered to be independent. Details of the Directors, including their dates of appointment, their memberships of board committees are as follows:

Director	*Function*	*Date of appointment*
Dr Mohammad S. Fazeli[(1)(3)]	Non-Executive Director	13 April 2021
Dr Sarah J. Howell	Chief Executive Officer	13 April 2021
Susan D. Lowther	Chief Financial Officer	13 April 2021
Jeremy L. Morgan[(1)(2)(3)]	Non-Executive Director	26 May 2021
Dr Andrew J. M. Richards[(2)(3)]	Chairman and Non-Executive Director	13 April 2021
Dr Alan E. Smith[(2)(3)]	Non-Executive Director	13 April 2021
Christine H. Soden[(1)(2)(3)]	Non-Executive Director	26 May 2021

(1) Member of the Audit and Risk Committee
(2) Member of the Remuneration Committee
(3) Member of the Nomination Committee

The usual business address of each of the Directors is the registered office of the Company, which is Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL.

7.2 **The Directors**

7.2.1 ***Current and previous appointments***

The following table sets out the names of all companies and partnerships outside the Group of which any Director is or has been a director or partner at any time in the previous five years.

Name	*Position*	*Company/Partnership*	*Position still held (Yes/No)*
Dr Mohammad S. Fazeli	Director	Exonate Limited	Yes
	Director	European Biotech Acquisition Corp. Units	Yes
Susan D. Lowther	Director	IXICO plc	No
	Director	IXICO Technologies Limited	No
	Director	IXITECH Limited	No
	Director	Optimal Medicine Limited	No
	Director	Phytodevelopments Limited	No
	Director/Secretary	Trisys Business Software Limited	Yes
Jeremy L. Morgan	Director	Spikey Bubble Consulting Limited	Yes
Dr Andrew J. M. Richards	Director	Abcodia Ltd	Yes
	Partner	ACC Syndicate LLP	Yes
	Director	Babraham Bioscience Technologies Ltd	No
	Director	Cambridge University NHS Hospital Trust	No
	Director	Cancer Research Technology Ltd	Yes
	Director	Closed Loop Medicine Ltd	Yes
	Director	Congenica Ltd	Yes
	Director	Croggan Ltd	Yes
	Director	Ixico plc	No
	Director	Ieso Digital Health Ltd	Yes
	Director	Novacta Biosystems Ltd	No
	Director	Owlstone Medical Ltd	Yes
	Director	Sensiia Ltd	No
	Director	Silence Therapeutics plc	No
	Director	The Scale-up Institute	Yes
Dr Alan E. Smith	Director	Cambridge in America	No
	Director	American Friends of the Royal Society, Inc.	Yes
	Director	Native Plant Trust, Inc.	No
	Director	Candel Therapeutics, Inc	Yes
Christine H. Soden	Director	Acacia Pharma Group Plc	No
	Director	Acacia Pharma Limited	No
	Director	Cell Therapy Catapult Limited	No
	Director	CT2 Holdings Limited	No
	Director	Electrical Geodesics, Inc.	No
	Director	Elementis Plc	Yes
	Director	E-Therapeutics Plc	Yes
	Director	Fertility Focus Limited	Yes
	Director	FutureNova Limited	Yes

7.2.2 ***Interests of the Directors in the share capital of the Company[10]***

As at 25 May 2021 (being the latest practicable date prior to the publication of this document), the interests in the issued share capital of the Company of each of the Directors and their families within the meaning of the AIM Rules, such interests being those which could with reasonable diligence be ascertained by each Director, whether or not held through another party, and being in addition to the interests held under option as described in paragraph 7.3 below, prior to Admission and immediately following Admission are or will be as follows:

[10] Company to confirm figures in the table.

Director	*Pre-Admission* Number of Ordinary Shares held*	*Pre-Admission* Percentage of Existing Ordinary Shares*	*Immediately following Admission Number of Ordinary Shares held*	*Immediately following Admission Percentage of Enlarged Share Capital*
Dr Mohammad S. Fazeli	107,952	0.6%	107,952	0.4%
Dr Sarah J. Howell	788,742	4.7%	788,742	2.8%
Susan D. Lowther	98,166	0.6%	98,166	0.4%
Jeremy L. Morgan	0	0%	0	0%
Dr Andrew J. M. Richards	193,020	1.2%	204,668	0.7%
Dr Alan E. Smith	171,420	1.0%	196,002	0.7%
Christine H. Soden	0	0%	0	0%

*Assuming completion of the Reorganisation (described in paragraph 2.2 of this Part VI)

7.2.3 ***Executive Directors service contracts and emoluments***

The details of the service contracts of the Executive Directors are as follows:

Sarah Howell

Sarah entered into a new service agreement with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, (i) a gross salary of £250,000 per annum (such salary to be reviewed annually) and (ii) termination of Sarah's employment upon 12 months written notice by the Company or the Executive Director. Sarah is eligible to receive a bonus of up to 100 per cent. of her salary in accordance with the Company's discretionary bonus scheme and dependent on achieving pre-set business performance conditions. The service agreement also contains confidentiality, non-competition and non-solicitation provisions effective for a period of 12 months following the termination of Sarah's employment. The service agreement also appoints Sarah as a Director of the Company. The Company shall reimburse all reasonable, authorised and properly documented expenses that are incurred in the performance of her duties. Sarah may be removed as a Director at any time in accordance with the Articles or the Companies Act. The Company may terminate her appointment as a Director immediately in certain circumstances such as if a material breach of obligations is committed.

Susan Lowther

Susan entered into a new service agreement with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, (i) a gross salary of £200,000 per annum (such salary to be reviewed annually) and (ii) termination of her employment upon six months written notice by the Company or the Executive Director. Susan is eligible to receive a bonus of up to 75 per cent. of her salary in accordance with the Company's discretionary bonus scheme and dependent on achieving pre-set business performance conditions. The service agreement also contains confidentiality, non-competition and non-solicitation provisions effective for a period of six months following the termination of Susan's employment. The service agreement also appoints Susan as a Director of the Company. The Company shall reimburse all reasonable, authorised and properly documented expenses that are incurred in the performance of her duties. Susan may be removed as a Director at any time in accordance with the Articles or the Companies Act. The Company may terminate her appointment as a Director immediately in certain circumstances such as if a material breach of obligations is committed.

7.2.4 ***Non-executive Directors' letters of appointment and emoluments***

Each Non-executive Director has entered into a letter of appointment with the Company on substantially the same terms, under which they each agreed to act as a Non-Executive Director of the Company with effect from Admission. The appointments will continue until terminated. The appointments can be terminated by the Company in various specified circumstances and by either party on a specified period of prior written notice. The appointments are subject to the Articles.

Non-executive Directors shall receive a fee of £35,000 per annum each for their services, and an additional £5,000 per annum for chairing a committee. The Company has agreed that Andrew Richards, as chairman, shall receive a fee of £80,000 per annum for his services. The agreed fees cover all of the duties of non-executive director, including any appointment as a director of a subsidiary.

The principal terms of each letter of appointment (each, a "**Letter of Appointment**") are set out below:

Letter of Appointment of Andrew Richards

Andrew entered into a letter of appointment with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, a fee of £80,000 a year, an additional fee of £5,000 per annum for chairing the Nomination Committee, and the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of his duties. The initial term of appointment is 3 years, unless terminated earlier by either the Company or the Non-Executive Chairman giving the other three months' prior written notice. The Non-Executive Chairman may be removed as a Director at any time in accordance with the Articles or the Act. Andrew is also subject to certain restrictive covenants as regards confidential information, copyright and other design rights and inventions, which shall continue to apply after the termination of his appointment.

Letter of Appointment of Dr Mohammad ('Sam') Fazeli

Sam entered into a letter of appointment with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, a fee of £35,000 a year, and the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of his duties. The initial term of appointment is 3 years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one month's prior written notice. Sam may be removed as a Director at any time in accordance with the Articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

Letter of Appointment of Jeremy Morgan

Jeremy entered into a letter of appointment with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, (i) a fee of £35,000 a year for his services as a Non-Executive Director, (ii) an additional fee of £5,000 a year for his services as chair of the Remuneration Committee, and (iii) the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of his duties. The initial term of appointment is 3 years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one months' prior written notice. Jeremy may be removed as a Director at any time in accordance with the Articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

Letter of Appointment of Dr Alan Smith

Alan entered into a letter of appointment with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, a fee of £35,000 a year, and the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of his duties. The initial term of appointment is 3 years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one months' prior written notice. Alan may be removed as a Director at any time in accordance with the Articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

Letter of Appointment of Christine Soden

Christine entered into a letter of appointment with the Company on 26 May 2021. The terms of the agreement provide for, amongst other things, (i) a fee of £35,000 a year for her services as a Non-Executive Director, (ii) an additional fee of £5,000 a year for her services as chair of the

Audit and Risk Committee, and (iii) the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of her duties. The initial term of appointment is 3 years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one months' prior written notice. Christine may be removed as a Director at any time in accordance with the Articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

7.3 **Share options granted to Directors**

As at 25 May 2021 (the latest practicable date prior to the date of this document) the following Directors have been granted options under the Plan and will on following Admission be granted options under the LTIP and the AESOP:

Name of Director	*Plan*	*Date of Grant*	*Number of Ordinary Shares under option*	*Full Vesting date*	*Exercise Price per Ordinary Share**	*Exercise Period To*
Sarah Howell	Plan	12 December 2018	72,330	12 December 2021	£0.01	12 December 2028
Susan Lowther	Plan	26 October 2019	87,834	26 October 2022	£0.01	26 October 2029
Sarah Howell	LTIP	3 June 2021	240,000	3 June 2024	£0.01	3 June 2031
Susan Lowther	LTIP	3 June 2021	190,000	3 June 2024	£0.01	3 June 2031
Sarah Howell	AESOP	3 June 2021	100,000	3 June 2024	£2.26	3 June 2031
Susan Lowther	AESOP	3 June 2021	70,000	3 June 2024	£2.26	3 June 2031

8. CONFIRMATIONS AND OTHER INFORMATION

8.1 There is no family relationship between any of the Directors.

8.2 Apart from the current directorships set out above and the other business interests disclosed above none of the Directors has any business interests or performs any activities outside the Group which are significant in respect to the Group.

8.3 There are no potential conflicts of interest affecting any of the Directors between their duties to the Company or to the Group and their private interests.

8.4 None of the Directors:

8.4.1 is or has been a member of the administrative management or supervisory body of any company or a partner in any partnership outside the Group at any time in the previous five years save as disclosed in paragraph 7 above; or

8.4.2 has any unspent convictions relating to indictable or fraudulent offences;

8.4.3 has been declared bankrupt or made the subject of an individual voluntary arrangement;

8.4.4 has been a director or senior manager of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;

8.4.5 has been a partner in any partnership at the time of or within 12 months preceding any compulsory liquidation, administration, receivership or partnership voluntary arrangement of such partnership;

8.4.6 has had any of his assets subject to any receivership; and

8.4.7 has been the subject of any public criticism or had sanctions imposed upon him by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a

court from acting as a director of a company or in the management or conduct of the affairs of a company.

8.5 No Director has, or has had, any interest in any transactions which are or were unusual in their nature and conditions or significant to the business of the Group and which were effected by the Company from incorporation to the date of this document which remain outstanding or unperformed.

8.6 There are no outstanding loans or guarantees provided by the Company or the Group to or for the benefit of any of the Directors.

8.7 There are no arrangements under which any Director has waived or agreed to waive future emoluments.

8.8 Save as disclosed above, none of the Directors nor any member of their immediate families or any person connected with any of them holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings or any financial product referenced to the Ordinary Shares.

9. SHARE OPTION PLANS

9.1 The Company currently operates the Plan further details of which are set out below. The Company has also adopted (i) a Long Term Incentive Plan, the 'Arecor Long Term Incentive Plan', the LTIP, which allows the grant of tax efficient EMI share options, unapproved options and Tax-Advantaged Options and (ii) an all-employee share option plan, the AESOP which allows the grant of tax efficient EMI share options, unapproved options and Tax-Advantaged Options. The Company anticipates principally using the LTIP to award options to senior management and using the AESOP to award options to all of its eligible workforce. Further details of the LTIP and the AESOP are set out below.

9.2 As at the date of this document, there are 337,434 outstanding share options granted by Arecor Limited under the Plan. Options granted under the Plan have an exercise price of £0.01 and vest over a three year period. The Directors have resolved to allow such options to continue to vest in accordance with their existing vesting schedule after Admission. The last grant of options under the Plan took place on the 3 November 2020 and, consequently, all options granted under the Plan will have vested and become fully exercisable by the 3 November 2023. No further options, except the options pursuant to the Option Rollover described in paragraph 9.3 below, will be granted by either the Company or Arecor Limited under the Plan.

9.3 In connection with the Share and CLN Exchange Agreement, certain persons to whom Arecor Limited had granted options over ordinary shares in its share capital ("**Arecor Optionholders**") will be given the opportunity to release their rights in respect of options over ordinary shares in the capital of Arecor Limited (to the extent they are unexercised) in consideration of the grant of options over Ordinary Shares (such options in the Company representing the same proportion of the share capital of the Company as was represented by the unexercised options over shares in Arecor Limited) (the "**Option Rollover**"). The new options granted pursuant to the Option Rollover will be subject to the terms of the Plan with references to "Arecor Limited" being replaced by "the Company". Existing options over shares in Arecor Limited will become exercisable for a period of one month from the date of the Share and CLN Exchange Agreement to the extent those options are vested. If any Arecor Optionholder does not participate in the Option Rollover, unless they exercise their options (to the extent permitted) in which case the articles of association of Arecor Limited provide that the Arecor Optionholder will receive shares in the capital of the Company, the options over ordinary shares in the capital of Arecor Limited will lapse on or around one month after the date of the Share and CLN Exchange Agreement.

9.4 The following LTIP options will be awarded to Executive Directors and senior management on Admission under the LTIP:

Executive	*Position*	*Number of Shares under LTIP option*	*Exercise Price*	*Conditions*
Sarah Howell	CEO	240,000	£0.01	See below
Susan Lowther	CFO	190,000	£0.01	See below
Jan Jezek	CSO	120,000	£0.01	See below
David Gerring	VP Development	50,000	£0.01	See below
Fiona Lawrence	VP Clinical Development	50,000	£0.01	See below
Jim McDonald-Clink	VP Business Development	50,000	£0.01	See below

The Initial LTIP Awards will vest after three years and be subject to meeting the performance conditions set out below and will also be subject to a condition that the Initial LTIP Awards or the Ordinary Shares acquired on exercise of the Initial LTIP Awards (other than those sold to cover tax and National Insurance) are held for a minimum one year period from vesting.

The performance criteria for LTIP vesting is 'total shareholder return' ("**TSR**") in relation to the techMARK mediscience index over the same period.

9.5 The following options will be awarded to Executive Directors and the CSO on Admission under the AESOP:

Executive	*Position*	*Number of Shares under AESOP option*	*Exercise Price (Placing Price)*	*Conditions*
Sarah Howell	CEO	100,000	£2.26	None
Susan Lowther	CFO	70,000	£2.26	None
Jan Jezek	CSO	40,000	£2.26	None
David Gerring	VP Development	30,000	£2.26	None
Fiona Lawrence	VP Clinical Development	30,000	£2.26	None
Jim McDonald-Clink	VP Business Development	20,000	£2.26	None

The Initial AESOP Options will be granted as EMI options and will vest annually over 3 years. The Initial AESOP Options will not be subject to performance conditions but will be subject to good leaver and bad leaver provisions.

In addition, on Admission, all eligible employees will be granted EMI options under the AESOP amounting in total to an additional 125,000 Ordinary Shares under option.

9.6 The Plan has the following main features:

9.6.1 **Eligibility**

Selected executive directors and employees of Arecor Limited and its subsidiaries may be granted options under the Plan at the discretion of the Arecor Limited's board of directors or a duly authorised committee thereof.

Employees and executive directors are eligible to participate in the Plan as follows:

i. EMI qualifying options can be granted to an employee or executive director who commits at least 25 hours per week or, if less, at least 75 per cent. of his or her working time on the business of Arecor Limited or one of its subsidiaries and, at the grant date, does not either individually or together with his associates control more than 30 per cent. of the ordinary share capital of Arecor Limited.

ii. Unapproved options can be granted to any employee (including an executive director) of Arecor Limited or its subsidiaries.

9.6.2 **Grant of share options**

Options granted under the Plan are to acquire ordinary shares of £0.01 each in the share capital of Arecor Limited.

No EMI qualifying option can be granted if it would contravene any statutory requirements in the EMI code.

9.6.3 **Limits**

The Plan is subject to the following limits on the overall number of new Arecor Limited ordinary shares which may be issued:

i. the aggregate market value of Arecor Limited ordinary shares subject to unexercised EMI qualifying options held by an eligible employee (as measured at the date of grant) under the Plan (and any other qualifying options under the share option plans operated by the Group) must not exceed £250,000 (or such other amount as may be specified by paragraph 5 of Schedule 5 to the ITEPA);

ii. where an employee holds unexercised EMI qualifying options with a market value of £250,000 no further EMI qualifying options can be granted to that employee for a period of three years from the date of grant of the last EMI qualifying option (or such other period or amount as may be specified by paragraph 6 of Schedule 5 to the ITEPA); and

iii. the aggregate market value of Ordinary Shares subject to all unexercised EMI qualifying options under the Plan (and any other qualifying options under the share option plans operated by the Group) must not exceed £3 million (or such other amount as may be specified by paragraph 7 of Schedule 5 to the ITEPA).

9.6.4 **Exercise of share options**

The Plan permits the grant of options at any exercise price (being the price at which a share subject to an option may be acquired on exercise), provided the exercise price is not less than the nominal value of a Arecor Limited ordinary share (except insofar as the Arecor Limited directors (or a duly authorised committee thereof) agree to capitalise Arecor Limited's reserves and apply the same to pay up any difference between exercise price and nominal value).

Options will be exercisable no later than the day immediately preceding the tenth anniversary of the date of grant.

The right to exercise share options under the Plan may be conditional on performance and/or vesting conditions as determined by the Arecor Limited directors (or a duly authorised committee thereof) at the date of grant. The Plan includes flexibility to apply different performance conditions to future awards and to allow the Arecor Limited directors (or a duly authorised committee thereof) to amend performance conditions if events occur which cause it to consider that amended conditions would be more appropriate (provided they are no more difficult to satisfy than when first imposed).

9.6.5 **Change of control**

On a sale of Arecor Limited, vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised for a month after the event (or for up to six months if the Arecor Limited directors (or a duly authorised committee thereof) so decide). Options not exercised during that period will lapse.

On an asset sale, vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised for a period decided by the Arecor Limited directors (or a duly authorised committee thereof)). Options not exercised during that period will lapse.

Following receipt of an offer which, if accepted, would result in a sale or asset sale, the Arecor Limited directors (or a duly authorised committee thereof) may notify option holders that vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised for a period prior to such sale or asset sale. Options not exercised during that period may lapse (subject to the discretion of Arecor Limited directors (or a duly authorised committee thereof)).

On the first occasion when shares of Arecor Limited are admitted to trading on a relevant market, vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised for such period as is specified by the Arecor Limited directors (or a duly authorised committee thereof), provided that if the option holder purports to sell the shares within two years of admittance to trading, Arecor Limited may require the option holder not to sell such shares within the period specified by the Arecor Limited directors (or a duly authorised committee thereof) (other than any shares required to be sold to cover the cost of the exercise price and tax liability relating to exercise).

If a demerger may occur which will prejudice the rights of option holders or a court sanctions a statutory reconstruction, vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised for a month after the event (or for up to six months if the Arecor Limited directors (or a duly authorised committee thereof) so decide). Options not exercised during that period will lapse.

If Arecor Limited's shareholders are notified that a resolution for its winding up has passed, vested options (and any unvested options if the Arecor Limited directors (or a duly authorised committee thereof) so decide) may be exercised at any time up to commencement of the winding up (or such other period as decided by the Arecor Limited directors (or a duly authorised committee thereof)). Options not exercised during that period will lapse.

Options may be exchanged for equivalent options in a new company where an offer to exchange is made and accepted by the participant or there is an internal reorganisation and the Arecor Limited directors (or a duly authorised committee thereof) decides the options will be exchanged.

9.6.6 **Adjustment of share options**

The Arecor Limited directors (or a duly authorised committee thereof) may adjust the number of ordinary shares and/or the exercise price attaching to an option in the event of a variation in the share capital of Arecor Limited. An adjustment must be made if the variation would otherwise cause a disqualifying event under EMI legislation.

9.6.7 **Amendments to the Share Option Plan**

The Arecor Limited directors (or a duly authorised committee thereof) may at any time alter or add to any of the provisions of the Plan.

9.6.8 **Tax**

Option holders must indemnify each Group company and any trustee against any income tax and/or National Insurance Contributions (including Employer National Insurance Contributions) liability relating to his or her option.

9.7 The LTIP has the following main features:

9.7.1 **Eligibility**

Selected executive directors and employees of the Group may be granted options under the LTIP at the discretion of the Company's Board or a duly authorised committee thereof (the "**Committee**"). Employees and Directors will be eligible to participate in the LTIP as follows:

i. EMI qualifying options can be granted to an employee or director of the Company (or a Group company) who commits at least 25 hours per week or, if less, at least 75 per cent. of his or her working time on the business of the Company (or Group company) and, at the grant date, does not either individually or together with his associates control more than 30 per cent. of the ordinary share capital of the Company.

ii. Unapproved options can be granted to any employee (including an executive director) of a Group company.

iii. Tax Advantaged Options can be granted to an employee of the Company or a Subsidiary or an employee director of the Company or a Subsidiary who is obliged to devote not less than 25 hours a week (excluding meal breaks) to their office or employment with the Company or any subsidiary.

9.7.2 **Grant of share options**

Options granted under the LTIP are to acquire Ordinary Shares in the Company. The LTIP permits the grant of options at any time prior to Admission and thereafter at any time in the period of three months following:

i. the dealing day immediately following the day on which shares are admitted to trading on any stock exchange;

ii. the dealing day after the Company's announcement of its results for any period; or

iii. any day on which legislative or regulatory changes which affect share plans are announced, effected or made.

If the Company is restricted from granting options during the periods set out above as a result of any dealing restrictions, the grant period will be six weeks commencing on the dealing day after the restrictions are lifted.

The Committee will retain discretion to grant options on any day which it resolves that exceptional circumstances exist which justify the grant of options.

No LTIP option may be granted more than ten years from the date when the LTIP was adopted.

No EMI qualifying option can be granted if it would contravene any statutory requirements in the EMI code.

No Tax Advantaged Option can be granted to a person who is excluded by statute from holding Tax Advantaged Options.

9.7.3 **Limits**

The LTIP is subject to the following limits on the overall number of new Ordinary Shares which may be issued:

i. the aggregate market value of Ordinary Shares subject to unexercised EMI qualifying options held by an eligible employee (as measured at the date of grant) under the LTIP (and any other qualifying options under the share option plans operated by the Group) must not exceed £250,000 (or such other amount as may be specified by paragraph 5 of Schedule 5 to the ITEPA);

ii. where an employee holds unexercised EMI qualifying options with a market value of £250,000 no further EMI qualifying options can be granted to that employee for a period of three years from the date of grant of the last EMI qualifying option (or such other period or amount as may be specified by paragraph 6 of Schedule 5 to the ITEPA);

iii. the aggregate market value of Ordinary Shares subject to all unexercised EMI qualifying options under the LTIP (and any other qualifying options under the share option plans

operated by the Group) must not exceed £3 million (or such other amount as may be specified by paragraph 7 of Schedule 5 to the ITEPA); and

iv. the aggregate market value of Ordinary Shares to be acquired by exercising a Tax Advantaged Option under the LTIP, and any other option which is to be taken into account for the purposes of the limit specified in paragraph 6(1) of Schedule 4 to the ITEPA, must not exceed £30,000.

In addition, the quantum of options granted to any individual is subject to an annual award limit of 100 per cent. of base salary in respect of any financial year based on the market value, measured at the date of grant of the shares under option (although in exceptional circumstances as determined by the Committee this limit may be increased to 200 per cent. and the Committee have determined that Admission shall constitute an exceptional circumstance).

9.7.4 **Overall limit**

The LTIP provides that in any ten year period, the number of Ordinary Shares which may be issued under the LTIP and under any other employee share plan adopted by the Company may not exceed ten per cent. of the issued ordinary share capital of the Company from time to time.

The following do not count towards this limit: Ordinary Shares issued or to be issued to satisfy awards granted prior to Admission; Ordinary Shares in respect of which the right to acquire such Ordinary Shares lapses or is released; existing Ordinary Shares other than treasury shares which are transferred or to which an award relates; and Ordinary Shares allocated in respect of awards which are then satisfied in cash.

Ordinary Shares transferred from treasury will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

9.7.5 **Exercise of options**

The LTIP permits the grant of options (other than Tax Advantaged Options) at any exercise price (being the price at which a share subject to an option may be acquired on exercise), provided it is not less than the nominal value of an Ordinary Share. The exercise price shall be the nominal value of an Ordinary Share unless the Committee decides otherwise. The exercise price of Tax Advantaged Options will be determined by the Committee and must not be less than the greater of the market value of an Ordinary Share on the date of grant of the option and the nominal value of an Ordinary Share.

The right to exercise share options under the LTIP may be conditional on performance and/or vesting conditions as determined by the Committee at the date of grant. The LTIP includes flexibility to apply different performance conditions to future awards and to allow the Committee to amend or substitute performance conditions if events occur which cause it to consider that amended conditions would be more appropriate (provided they are no more difficult to satisfy than when first imposed).

It is proposed that options will normally vest (and become exercisable) on the date on which the Committee determines that the performance condition has been satisfied (or such later date determined by the Committee) which will normally be based on a three year performance period (unless the Board determines otherwise). Prior to the first anniversary of an option vesting or publication of the Company's audited accounts for its second financial year following vesting of an option, the Committee can, in its discretion, reduce the number of Ordinary Shares to which the option relates, cancel the option, impose conditions (or further conditions) on the option, reduce the number of Ordinary Shares to which any other option or award under another Group company share plan relates, cancel such option or award, or require the option holder to transfer to the Company (or any other person

specified by the Company) all or some of the shares acquired by the option holder pursuant to the exercise of the option.

Options will normally be exercisable until the tenth anniversary of the date of grant.

Such circumstances include, but are not limited to:

i. an error in calculating the number of Ordinary Shares over which the option is granted;

ii. an error in calculating the number of Ordinary Shares over which the option vests;

iii. as a result of the intentional actions or omissions of the participant, any information used to assess the extent to which a performance target or other condition has been met requires material correction;

iv. material damage to the Company's intellectual property partly or wholly as a result of the participant's misconduct;

v. a material misstatement of the Company's audited financial results partly or wholly as a result of the participant's misconduct;

vi. serious reputational damage to any Group company or a relevant business unit partly or wholly as a result of the participant's misconduct;

vii. determination that the participant committed serious misconduct that could have warranted their dismissal from employment; and

viii. the Company has suffered corporate failure as a result of the intentional actions or omissions of a participant which has resulted in the appointment of a liquidator or administrator.

In addition any options that have vested or Ordinary Shares that have been acquired or delivered on the exercise of an option granted to an executive director or former executive director of the Company (or any other individual if the Committee determined so before the option was granted) shall be subject to a holding period during which the option must not be exercised or otherwise the Ordinary Shares acquired pursuant to the exercise of the option must not be sold, transferred, assigned or otherwise disposed of. During the holding period the vested option or Ordinary Shares acquired pursuant to the exercise of the option shall not be subject to forfeiture other than to satisfy the clawback provisions described above. A holder may sell sufficient shares after the exercise of an option to pay any tax liability on the exercise of the option. The holding period will expire on the earlier of (i) the first anniversary of the date on which the option vests, (ii) a corporate event (as described in paragraph 9.7.7 of this Part VI below), (iii) the death of the holder, (iv) the date the holder ceases to be an employee or officer of the Group, or (v) any other date determined by the Committee.

9.7.6 **Leaver provisions**

If a participant ceases to be employed or hold office within the Group the following leaver provisions will apply.

Unless the Committee determines that an unvested option will continue until the normal vesting date, an unvested option will vest if a participant dies.

If a participant ceases to hold office or employment with a Group company as a result of:

i. ill-health, injury or disability evidenced to the satisfaction of the Committee;

ii. retirement;

iii. redundancy within the meaning of the Employment Rights Act 1996;

iv. unfair or wrongful dismissal;

v. his or her employing company ceasing to be a member of the Group;

vi. any other reason at the Committee's absolute discretion, except where a participant is summarily dismissed, an unvested option will continue until the normal vesting date unless the Committee decides it shall vest at cessation.

In each case, the extent to which an unvested option shall vest will be prorated on a time basis and adjusted for performance (unless the Committee in its absolute discretion determines otherwise). The unvested remainder will then lapse immediately unless the Committee in its absolute discretion determines otherwise.

If a participant dies or ceases to hold office or employment with a Group company as a result of any of the reasons set out above, their options which were already vested may be exercised during the period set out below.

i. in the case of death, an option may be exercised within 12 months from the date of death (or such shorter period as the Committee may determine);

ii. in all other cases, options may be exercised within six months of the date of cessation (or such other period as the Committee may determine).

If a participant ceases to hold office or employment with a Group company for any reason other than those set out above, their options, (whether or not vested), will lapse at that time unless the Committee in its absolute discretion determines otherwise.

9.7.7 **Corporate Events**

On a takeover, squeeze out, scheme of arrangement, or winding-up of the Company, options which have not yet vested will vest to the extent that any applicable performance conditions have been satisfied at the time of such event (unless the Committee determines otherwise).

Options which so vest will be exercisable for six months from the date of the relevant event (or six weeks in the case of squeeze out) and will otherwise lapse at the end of that period.

The Committee will retain discretion to determine whether and to what extent options should vest on the occurrence of certain other corporate events.

Options may be automatically exchanged for equivalent options in a new company where an offer to exchange is made and accepted by the participant, there is an internal reorganisation or the Committee decides the option will be automatically exchanged.

9.7.8 **Adjustment of share options**

The Committee may adjust the number of Ordinary Shares, the exercise price or the performance conditions attaching to an option in the event of a variation in the share capital of the Company a demerger, delisting, special dividend, rights issue or other event which may, in the Committee's opinion, affect the current or future value of Ordinary Shares. An adjustment must be made if the variation would otherwise cause a disqualifying event under EMI legislation.

No adjustment may be made to Tax Advantaged Options unless the market value of the Ordinary Shares which may be acquired and the aggregate exercise price of the options are substantially the same immediately before and after the adjustment. Provided that is the case, the Committee may adjust the number of Ordinary Shares and the exercise price relating to a Tax Advantaged Option in the event of a variation in relation to which adjustment is permitted under Schedule 4 to the ITEPA.

9.7.9 **Amendments to the LTIP**

The Committee may amend the LTIP provided that no amendment may be made to the material disadvantage of participants in the LTIP unless consent is sought from the affected participants and given by a majority of them.

The LTIP will usually terminate on the tenth anniversary of its adoption, but the rights of existing participants will not be affected by any termination.

No amendment will have effect if it would cause any EMI options to cease to be EMI options (for as long as those options are to be EMI options).

No amendment which would cause the Tax Advantaged Option plan to cease to meet the requirements of Schedule 4 to the ITEPA will have effect in relation to any Tax Advantaged Option unless and until the Committee has determined that the amendment will take effect even if this causes the Tax Advantaged Option plan to cease to meet those requirements.

9.7.10 **Tax**

Option holders must indemnify each Group company and any trustee against any income tax and/or National Insurance Contributions liability relating to his or her option. The LTIP will include the flexibility for the Company to transfer the employer's NIC arising in relation to an option to the option holder.

9.8 The AESOP has the following main features:

9.8.1 **Eligibility**

Selected directors and employees of the Group may be granted options under the AESOP at the discretion of the Committee. Employees and Directors will be eligible to participate in the AESOP as follows:

i. EMI qualifying options can be granted to an employee or director of the Company (or a Group company) who commits at least 25 hours per week or, if less, at least 75 per cent. of his or her working time on the business of the Company (or Group company) and, at the grant date, does not either individually or together with his associates control more than 30 per cent. of the ordinary share capital of the Company.

ii. Unapproved options can be granted to any employee (including an executive director) of a Group company.

iii. Tax Advantaged Options can be granted to an employee of the Company or a subsidiary or an employee director of the Company or a subsidiary who is obliged to devote not less than 25 hours a week (excluding meal breaks) to their office or employment with the Company or any subsidiary.

9.8.2 **Grant of share options**

Options granted under the AESOP are to acquire Ordinary Shares in the Company. The AESOP permits the grant of options at any time prior to Admission and thereafter at any time in the period of three months following:

i. the dealing day immediately following the day on which shares are admitted to trading on any stock exchange;

ii. the dealing day after the Company's announcement of its results for any period; or

iii. any day on which legislative or regulatory changes which affect share plans are announced, effected or made.

If the Company is restricted from granting options during the periods set out above as a result of any dealing restrictions, the grant period will be six weeks commencing on the dealing day after the restrictions are lifted.

The Committee will retain discretion to grant options on any day which it resolves that exceptional circumstances exist which justify the grant of options.

No AESOP option may be granted more than ten years from the date when the AESOP was adopted.

No EMI qualifying option can be granted if it would contravene any statutory requirements in the EMI code.

No Tax Advantaged Option can be granted to a person who is excluded by statute from holding Tax Advantaged Options.

9.8.3 **Limits**

The AESOP is subject to the following limits on the overall number of new Ordinary Shares which may be issued:

i. the aggregate market value of Ordinary Shares subject to unexercised EMI qualifying options held by an eligible employee (as measured at the date of grant) under the AESOP (and any other qualifying options under the share option plans operated by the Group) must not exceed £250,000 (or such other amount as may be specified by paragraph 5 of Schedule 5 to the ITEPA;

ii. where an employee holds unexercised EMI qualifying options with a market value of £250,000 no further EMI qualifying options can be granted to that employee for a period of three years from the date of grant of the last EMI qualifying option (or such other period or amount as may be specified by paragraph 6 of Schedule 5 to the ITEPA;

iii. the aggregate market value of Ordinary Shares subject to all unexercised EMI qualifying options under the AESOP (and any other qualifying options under the share option plans operated by the Group) must not exceed £3 million (or such other amount as may be specified by paragraph 7 of Schedule 5 to the ITEPA; and

iv. the aggregate market value of Ordinary Shares to be acquired by exercising a Tax Advantaged Option under the AESOP, and any other option which is to be taken into account for the purposes of the limit specified in paragraph 6(1) of Schedule 4 to the ITEPA, must not exceed £30,000.

9.8.4 **Overall limit**

The AESOP provides that in any ten year period, the number of Ordinary Shares which may be issued under the AESOP and under any other employee share plan adopted by the Company may not exceed ten per cent. of the issued ordinary share capital of the Company from time to time.

The following do not count towards this limit: Ordinary Shares issued or to be issued to satisfy awards granted prior to Admission; Ordinary Shares in respect of which the right to acquire such Ordinary Shares lapses or is released; existing Ordinary Shares other than treasury shares which are transferred or to which an award relates; and Ordinary Shares allocated in respect of awards which are then satisfied in cash.

Ordinary Shares transferred from treasury will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

9.8.5 **Exercise of options**

The AESOP permits the grant of options (other than Tax Advantaged Options) at any exercise price (being the price at which a share subject to an option may be acquired on exercise), provided it is not less than the nominal value of an Ordinary Share. The exercise price shall be the market value of an Ordinary Share unless the Committee decides otherwise. The exercise price of Tax Advantaged Options must be will be determined by the Committee and must not be less than the greater of the market value of an Ordinary Share on the date of grant of the option and the nominal value of an Ordinary Share.

Options will normally be exercisable until the tenth anniversary of the date of grant.

The right to exercise share options under the AESOP may be conditional on vesting conditions as determined by the Committee at the date of grant. It is proposed that options will normally vest (and become exercisable) annually over three years from the date of grant (or such other date determined by the Committee).

9.8.6 **Leaver provisions**

If a participant ceases to be employed or hold office within the Group the following leaver provisions will apply.

If a participant leaves in circumstances that would allow their employment or office to be terminated by reason of their fraud, dishonesty, gross misconduct, material breach of obligation, or other summary dismissal (a 'bad leaver') their options will lapse immediately on the date of cessation.

If a participant leaves in circumstances other than bad leaver circumstances (a 'good leaver'), their unvested options lapse immediately on cessation and their vested options remain exercisable for six months from cessation.

If a participant dies, their unvested options lapse immediately on death and their vested options remain exercisable for 12 months from death.

9.8.7 **Corporate Events**

On a takeover, squeeze out, scheme of arrangement, or winding-up of the Company, options which have not yet vested will vest and will be exercisable for six months from the date of the relevant event (or six weeks in the case of squeeze out) and will otherwise lapse at the end of that period.

Options may be automatically exchanged for equivalent options in a new company where an offer to exchange is made and accepted by the participant, there is an internal reorganisation or the Committee decides the option will be automatically exchanged.

9.8.8 **Adjustment of share options**

The Committee may adjust the number of Ordinary Shares or the exercise price attaching to an option in the event of a variation in the share capital of the Company a demerger, delisting, special dividend, rights issue or other event which may, in the Committee's opinion, affect the current or future value of Ordinary Shares. An adjustment must be made if the variation would otherwise cause a disqualifying event under EMI legislation.

No adjustment may be made to Tax Advantaged Options unless the market value of the Ordinary Shares which may be acquired and the aggregate exercise price of the options are substantially the same immediately before and after the adjustment. Provided that is the case, the Committee may adjust the number of Ordinary Shares and the exercise price relating to a Tax Advantaged Option in the event of a variation in relation to which adjustment is permitted under Schedule 4 to the ITEPA.

9.8.9 **Amendments to the AESOP**

The Committee may amend the AESOP provided that no amendment may be made to the material disadvantage of participants in the AESOP unless consent is sought from the affected participants and given by a majority of them.

The AESOP will usually terminate on the tenth anniversary of its adoption, but the rights of existing participants will not be affected by any termination.

No amendment will have effect if it would cause any EMI options to cease to be EMI options (for as long as those options are to be EMI options).

No amendment which would cause the tax advantaged plan to cease to meet the requirements of Schedule 4 to the ITEPA will have effect in relation to any Tax Advantaged Option unless and until the Committee has determined that the amendment will take effect even if this causes the Tax Advantaged Option plan to cease to meet those requirements.

9.8.10 **Tax**

Option holders must indemnify each Group company and any trustee against any income tax and/or National Insurance Contributions liability relating to his or her option. The AESOP will include the flexibility for the Company to transfer the employer's National Insurance Contributions arising in relation to an option to the option holder.

10. EMPLOYEES

10.1 Details of the Group's employees are as follows:

	Approximate Current Numbers	*Year ended 31 December 2020*
Total	30	30
Full-time	29	29
Part-time	1	1

10.2 An approximate breakdown of employees by category is as follows:

	UK
Executive Directors	2
Senior managers	4
Other administrative staff	5

11. MATERIAL CONTRACTS AND RELATED PARTY TRANSACTIONS

11.1 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been: (i) entered into by a member of the Group during the two years immediately preceding the date of this document and are, or may be, material; or (ii) entered into by a member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group at the date of this document.

11.1.1 ***Placing Agreement***

The Placing Agreement is more particularly described in paragraph 6.1 of Part VI of this document.

11.1.2 ***Nominated Adviser and Broker Agreement***

The Nominated Adviser and Broker Agreement is more particularly described in paragraph 6.2 of Part VI of this document.

11.1.3 ***Lock-in Agreements***

The lock-in agreements are more particularly described in paragraph 6.3 of Part VI of this document.

11.1.4 ***Share and CLN Exchange Agreement***

All shareholders of Arecor Limited, all holders of convertible loan notes in Arecor Limited and the Company entered into a share and convertible loan note exchange agreement, dated 24 May 2021 (the Share and CLN Exchange Agreement), pursuant to which the Company acquired the entire issued share capital of Arecor Limited. The consideration paid by the Company was the issue of shares in the Company to shareholders of Arecor Limited

(being of the same class and having the same rights in the share capital of the Company as the shares in the capital of Arecor Limited which were transferred). On completion of the Share and CLN Exchange Agreement, the interest of each shareholder in the issued share capital of the Company, and the rights attaching to the shares in the Company so acquired by each shareholder replicated the issued share capital of Arecor Limited immediately prior to the transfer of shares in Arecor Limited. Under the Share and CLN Exchange Agreement, holders of convertible loan notes in Arecor Limited transferred their convertible loan notes in Arecor Limited to the Company, in exchange for the Convertible Loan Notes. On completion of the Share and CLN Exchange Agreement, the amount of convertible loan stock in the capital of the Company, replicated the amount of convertible loan stock in Arecor Limited immediately prior to the transfer of the convertible loan notes in Arecor Limited.

11.1.5 ***Deed of Amendment of the Investment Agreement***

All shareholders of Arecor Limited (prior to completion of the Share and CLN Exchange), Arecor Limited, Sarah Howell, Andrew Richards, Jan Jezek and the Company entered into a deed of amendment dated 24 May 2021 (the Deed of Amendment of the Investment Agreement). Pursuant to the Deed of Amendment of the Investment Agreement certain provisions of the Investment Agreement (as defined in paragraph 11.1.6 of this Part VI) will upon completion of the Share and CLN Exchange be made to apply to the Company with the effect that all costs, claims, expenses, liabilities, obligations and undertakings arising in respect of such provisions will become, from completion of the Share and CLN Exchange, the cost, claim, expense, liability or obligation of the Company. Conditional only on, and with effect immediately prior to, Admission (provided Admission occurs on or prior to 3 June 2021), the Deed of Amendment of the Investment Agreement also terminates the Investment Agreement (insofar as it relates to the Company and Arecor Limited and save in respect of certain specified matters), and all accrued rights, obligations and/or claims pursuant to the Investment Agreement will be irrevocably waived with effect from such termination.

11.1.6 ***Arecor Limited Investment Agreement***

Arecor Limited, all the shareholders of Arecor Limited, Sarah Howell, Andrew Richards, Jan Jezek and new investors entered into an investment agreement relating to Arecor Limited on 3 September 2018 (the Investment Agreement).

On the date of the Investment Agreement, the Company issued 581,818 C Ordinary Shares having an aggregate subscription price of £3,839,998.80. The Investment Agreement provided that no later than 5.00 p.m. on 1 October 2018, the Company may allot and issue up to a maximum of 145,455 additional C Ordinary Shares ("Additional Shares") to one or more of the investors, with a further 181,819 C Ordinary Shares ("Second Tranche Shares") (as well as any of the Additional Shares not yet issued and allotted) to be issued within ten business days of receiving confirmation from HMRC that the issue of the Second Tranche Shares did not prejudice the EIS or VCT qualifying status of the investment in the company by certain of the new investors.

Warranties were given by each of the Company, Sarah Howell Andrew Richards and Jan Jezek to the investors under the Investment Agreement and the period during which any claim may be made for breach of such warranties expired on 3 September 2020 (i.e. 24 months after the Investment Agreement was entered into), save for the tax warranties where such period will expire on 3 September 2025 (as noted below these will fall away on Admission when the Investment Agreement (as novated) is terminated).

Certain provisions of the Investment Agreement relating to the ongoing management and conduct of the Company's business were made to apply to the Company with effect from 24 May 2021, being the date of completion of the Share and CLN Exchange Agreement.

Conditional only on, and with effect immediately prior to, Admission the Investment Agreement (as amended) (see paragraph 11.1.5 above) was terminated by the Deed of Amendment of the Investment Agreement, and all accrued rights, obligations and/or claims pursuant to the Investment Agreement (as amended) (including the warranty claim period,

and in particular the tax warranty claim period) were irrevocably waived with effect from such termination (described in paragraph 11.1.5 above).

11.1.7 ***Loan Note Instruments***

On 28 October 2020, Arecor Limited entered into a convertible loan note instrument which constituted £1,905,474 unsecured convertible loan notes, and further executed a supplemental loan note instrument on 31 March 2021, on substantially the same terms, constituting an additional £2,500,000 unsecured convertible loan notes.

The conditions of the convertible loan notes were that interest was payable at the rate of eight per cent. per annum, and the convertible loan notes plus accrued but unpaid interest could be either: (i) converted into shares by the holders of the convertible loan notes (or by the Arecor Limited on the admission of Arecor Limited's shares to a recognised investment exchange such as the AIM Market of the London Stock Exchange), in the event of Arecor Limited raising equity capital of at least £8,000,000 from an issue of shares; or (ii) redeemed on the earlier of the first business day after the date which is the fifth anniversary of the date on which the stock was issued to the stockholders, and the convertible loan stock being paid off in accordance with the relevant loan note instrument. However, if the convertible loan notes were converted to shares prior to 28 October 2021, any interest accrued since 28 October 2020 would be disregarded. The convertible loan note instruments provided that, if the convertible loan notes were converted prior to 28 October 2021, the price per share would be at a ten per cent. discount to the price paid per share in the equity capital raise or IPO which triggered the conversion.

Following the adoption by the Company of the CLNs, which were entered into on the same terms as Arecor Limited's convertible loan note instruments, and completion of the Share and CLN Exchange, the convertible loan notes in Arercor Limited were released. Under the CLNs, the principal amount of outstanding convertible loan stock of £4,405,474, will be converted together with any accrued but unpaid interest into fully paid Ordinary Shares, immediately prior to Admission, at a ten per cent. discount to the placing price, provided that any interest accrued during the 12 months following the date of entry into the Arecor Limited loan note instruments (being 28 October 2021) will be disregarded on conversion.

11.1.8 ***WG Partners LLP Engagement Letter***

On 1 May 2020, Arecor Limited entered into an engagement letter with WG Partners LLP to provide financial advisory and corporate broking services in relation to a proposed fundraising. Under the terms of the engagement, Arecor Limited agreed to pay a monthly retainer of £6,000 (plus VAT) and commission of 5 per cent. of the aggregate gross proceeds from investors introduced by WG Partners and 2 per cent. of the aggregate gross proceeds from certain named investors during the term of the engagement and for a period of 12 months following termination thereof. The aggregate amount of retainer payments paid by Arecor Limited was £54,000 (excluding VAT). Under the terms of the engagement letter, this amount is offset against commission due in respect of funds raised in connection with the Placing. There are no further amounts payable to WG Partners in respect of the Placing.

11.2 **Related Party Transactions**

Save as disclosed below and in the notes to the historical financial information in Part IV of this document, there are no related party transactions required to be disclosed under the accounting standards applicable to the Group to which the Company or any member of the Group was a party during the during the period covered by the Historical Financial Information and up to the date of this document.

11.2.1 ***Share and CLN Exchange Agreement***

On 24 May 2021, all shareholders of, and holders of convertible loan notes in, Arecor Limited (prior to the Share and CLN Exchange), and the Company entered into the Share and CLN Exchange Agreement. See paragraph 11.1.4 of this Part VI.

11.2.2 ***Deed of Amendment of the Investment Agreement***

On 24 May 2021, the Company, Arecor Limited and certain shareholders of the Company (who were party to the Investment Agreement), entered into the Deed of Amendment of the Investment Agreement. See paragraph 11.1.5 of this Part VI.

11.2.3 ***Loan Note Instruments***

On 28 October 2020, Arecor Limited executed a loan note instrument constituting certain convertible loan notes in Arecor Limited and issued loan notes to 18 investors. On 31 March 2021, Arecor Limited executed a supplemental loan note instrument and issued further loan notes in Arecor Limited to one additional investor. See paragraph 11.1.7 of this Part VI.

11.2.4 ***Investment Agreement***

On 3 September 2018, Arecor Limited, all the shareholders of Arecor Limited (prior to the Share and CLN Exchange), Sarah Howell, Andrew Richards, Jan Jezek and certain new investors entered into the Investment Agreement. See paragraph 11.1.6 of this Part VI.

12. UNITED KINGDOM TAXATION

12.1 General

The following paragraphs are intended as a general guide to current UK tax law and HM Revenue & Customs, or HMRC, published practice applying as at the date of this prospectus (both of which are subject to change at any time, possibly with retrospective effect) relating to the holding of ordinary shares. They do not constitute legal or tax advice and do not purport to be a complete analysis of all UK tax considerations relating to the holding of ordinary shares, or all of the circumstances in which holders of ordinary shares may benefit from an exemption or relief from UK taxation. It is written on the basis that the Company does not (and will not) directly or indirectly derive 75 per cent. or more of its qualifying asset value from UK land, and that the Company is and remains solely resident in the United Kingdom for tax purposes and will therefore be subject to the UK tax regime.

Except to the extent that the position of non-UK resident persons is expressly referred to, this guide relates only to persons who are resident (and, in the case of individuals, domiciled or deemed domiciled) for tax purposes solely in the United Kingdom and do not have a permanent establishment or fixed base in any other jurisdiction with which the holding of ordinary shares is connected, or UK shareholders who are absolute beneficial owners of ordinary shares (and where the ordinary shares are not held through an Individual Savings Account or a Self-Invested Personal Pension) and who hold the ordinary shares as investments.

These paragraphs may not relate to certain classes of UK shareholders, such as (but not limited to):

- persons who are connected with the Company;
- financial institutions;
- insurance companies;
- charities or tax-exempt organisations;
- collective investment schemes;
- pension schemes;
- market makers, intermediaries, brokers or dealers in securities or persons who hold ordinary shares otherwise than as an investment;
- persons who have (or are deemed to have) acquired their ordinary shares by virtue of an office or employment or who are or have been officers or employees of the Company or any of its affiliates; and
- individuals who are subject to UK taxation on a remittance basis.

12.2 **Taxation of dividends**

Withholding Tax

Dividends paid by the Company will not be subject to any withholding or deduction for or on account of UK tax, irrespective of the residence or particular circumstances of the holders of ordinary shares.

Income Tax

An individual UK shareholder may, depending on his or her particular circumstances, be subject to UK tax on dividends received from the Company. An individual holder of ordinary shares who is not resident for tax purposes in the United Kingdom should not be chargeable to UK income tax on dividends received from the Company unless he or she carries on (whether solely or in partnership) any trade, profession or vocation in the United Kingdom through a branch or agency to which the ordinary shares are attributable (subject to certain exceptions for trading in the United Kingdom through independent agents, such as some brokers and investment managers).

All dividends received by an individual UK shareholder from the Company or from other sources will form part of that UK shareholder's total income for income tax purposes and will constitute the top slice of that income. A nil rate of income tax will apply to the first £2,000 of taxable dividend income received by the individual UK shareholder in a tax year. Income within the nil rate band will be taken into account in determining whether income in excess of the £2,000 tax-free allowance falls within the basic rate, higher rate or additional rate tax bands. Dividend income in excess of the tax-free allowance will (subject to the availability of any income tax personal allowance) be taxed at 7.5 per cent. to the extent that the excess amount falls within the basic rate tax band, 32.5 per cent. to the extent that the excess amount falls within the higher rate tax band and 38.1 per cent. to the extent that the excess amount falls within the additional rate tax band.

Corporation Tax

A corporate holder of ordinary shares who is not resident for tax purposes in the United Kingdom should not be chargeable to UK corporation tax on dividends received from the Company unless it carries on (whether solely or in partnership) a trade in the United Kingdom through a permanent establishment to which the ordinary shares are attributable.

Corporate UK shareholders should not be subject to UK corporation tax on any dividend received from the Company so long as the dividends qualify for exemption, which should be the case, although certain conditions must be met (including anti-avoidance conditions). If the conditions for the exemption are not satisfied, or such UK shareholder elects for an otherwise exempt dividend to be taxable, UK corporation tax will be chargeable on the amount of any dividends. The current rate of UK corporation tax is 19 per cent. At Budget 2020, the UK government announced that the UK corporation tax main rate will remain at 19 per cent. for the tax years starting 1 April 2020 and 1 April 2021 and will increase to 25 per cent. starting 1 April 2023 (whilst the 19 per cent. rate will continue to apply to companies with profits of not more than £50,000, with marginal relief for profits of up to £250,000).

12.3 **Taxation of chargeable gains**

A disposal or deemed disposal of ordinary shares by a UK shareholder may, depending on the UK shareholder's circumstances and subject to any available exemptions or reliefs (such as the annual exemption), give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax and corporation tax on chargeable gains.

If an individual UK shareholder who is subject to UK income tax at either the higher or the additional rate is liable to UK capital gains tax on the disposal of ordinary shares, the current applicable rate will be 20 per cent. For an individual UK shareholder who is subject to UK income tax at the basic rate and liable to UK capital gains tax on such disposal, the current applicable rate would be ten per cent., save to the extent that any capital gains when aggregated with the UK shareholder's other taxable income and gains in the relevant tax year exceed the unused basic rate tax band. In that case, the current rate applicable to the excess would be 20 per cent.

If a corporate UK shareholder becomes liable to UK corporation tax on the disposal (or deemed disposal) of ordinary shares, the main rate of UK corporation tax would apply. Indexation allowance

is not available in respect of disposals of ordinary shares acquired on or after 1 January 2018 (and only covers the movement in the retail prices index up until 31 December 2017, in respect of assets acquired prior to that date).

A holder of ordinary shares which is not resident for tax purposes in the United Kingdom should not normally be liable to UK capital gains tax or corporation tax on chargeable gains on a disposal (or deemed disposal) of ordinary shares unless the person is carrying on (whether solely or in partnership) a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate holder of ordinary shares, through a permanent establishment) to which the ordinary shares are attributable. However, an individual holder of ordinary shares who has ceased to be resident for tax purposes in the United Kingdom for a period of less than five years and who disposes of ordinary shares during that period may be liable on his or her return to the United Kingdom to UK tax on any capital gain realised (subject to any available exemption or relief).

12.4 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

The discussion below relates to holders of ordinary shares wherever resident, however it should be noted that special rules may apply to certain persons such as market makers, brokers, dealers or intermediaries.

Issue of Ordinary Shares

No UK stamp duty or stamp duty reserve tax, or SDRT, is payable on the issue of the underlying Ordinary Shares in the Company.

Transfer of Ordinary Shares

Neither UK stamp duty nor SDRT should arise on transfers of ordinary shares on AIM (including instruments transferring ordinary shares and agreements to transfer ordinary shares) on the basis that the ordinary shares are admitted to trading on AIM, provided based on the following requirements are (and continue to be) met:

- the ordinary shares are admitted to trading on AIM but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the UK Finance Act 1986), and this has been certified to Euroclear; and
- AIM continues to be accepted as a "recognized growth market" (as construed in accordance with section 99A of the UK Finance Act 1986).

In the event that either of the above requirements is not met, stamp duty or SDRT will generally apply to transfers of, or agreements to transfer, ordinary shares. Where applicable, the purchaser normally pays the stamp duty or SDRT.

12.5 **EIS and VCT Schemes**

The Company has applied for, and received, advance assurance from HMRC to the effect that, subject to receipt of a satisfactory compliance statement from the Company, the EIS Shares are capable of satisfying the requirements for EIS Relief. The Company expects the EIS/VCT Placing Shares to be capable of constituting a qualifying holding for VCT Relief purposes. The status of the EIS/VCT Placing Shares as a qualifying holding for VCT purposes will be conditional (amongst other things) on the qualifying conditions being satisfied throughout the period of ownership. The status of the EIS/VCT Placing Shares as qualifying for EIS Relief will be conditional (amongst other things) on the qualifying conditions being satisfied, both by the Company and (as regards those conditions to be met by the investor) the investor throughout a period of at least three years from the date of issue. There can be no assurance that the Company will conduct its activities in a way that will secure or retain qualifying status for VCT and/or EIS purposes (and indeed circumstances may arise where the directors of the Company believe that the interests of the Group are not served by seeking to retain such status). Further, the conditions for VCT Relief and EIS Relief are complex and relevant investors are recommended to seek their own professional advice before investing.

13. LITIGATION AND OTHER PROCEEDINGS

No member of the Group is, or has been within the 12 months preceding the date of this document, involved in any governmental, legal or arbitration proceedings which may have, or have had within the previous 12 months, a significant effect on the Group's financial position or profitability nor, as far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group.

14. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing receivable by the Company and the Group's existing cash resources, the working capital available to the Group will be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

15. SIGNIFICANT CHANGE

Save as described in this document and in respect of expenditure incurred in the ordinary course of its business, there has been no significant change in the financial or trading position of the Group since 31 December 2020, being the end of the last financial period included in the Group's historical financial information, as set out in Section B of Part IV of this document.

16. GENERAL

16.1 No shares are being made available to the public in conjunction with the Placing.

16.2 The Placing Price of 226 pence per Ordinary Share represents a premium of 225 pence per share over the nominal value of 1 pence per Ordinary Share.

16.3 The Ordinary Shares will be in registered form and will be capable of being held in both certificated and uncertificated form. They are denominated in sterling. The ISIN number for the Ordinary Shares is GB00BMWLM973 and the Sedol number is BMWLM97.

16.4 The gross proceeds of the Placing receivable by the Company are expected to be £20.00 million, with the total net proceeds of the Placing after settling fees expected to be approximately £18.26 million. The total costs and expenses relating to Admission and the Placing (including those fees and commissions referred to in paragraph 6.1 above) payable by the Company are estimated to be £1.74 million (excluding VAT).

16.5 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement. All the Placing Shares have been placed firm with Placees. The Placing is not being guaranteed or underwritten by any person.

16.6 Moneys received from Placees pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 24 June 2021, application moneys will be returned to the Placees at their risk without interest.

16.7 Save as disclosed in this document and otherwise in respect of fees paid to Taylor Vinters LLP for legal services, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, in the last 12 months, directly or indirectly, from the Company or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

16.8 Save as disclosed in this document, the Directors believe that there are no patents, other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

16.9 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

16.10 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.

16.11 Neither the Existing Ordinary Shares nor the Conversion Shares or the Placing Shares have been admitted to trading on any investment exchange and save in relation to the application for Admission, no application for such admission has been made.

16.12 Save as disclosed in this document, there are no exceptional factors which have influenced the Group's activities.

16.13 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

16.14 There have been no public takeover bids by third parties in respect of the shares of the Company at any time.

16.15 Panmure Gordon, the nominated adviser and broker to the Company, is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FCA. Panmure Gordon has given and not withdrawn its written consent to the inclusion in this document of its name and reference to it in the form and context in which they appear.

16.16 Grant Thornton UK LLP of Victoria House, 199 Avebury Boulevard, Milton Keynes MK9 1AU, the reporting accountant to the Company, is a firm of chartered accountants regulated by the Institute of Chartered Accountants in England and Wales. Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of its report in relation to the historical financial information included in Section A of Part IV of this document and accepts responsibility for the same pursuant to Schedule Two of the AIM Rules for Companies.

16.17 Sagittarius IP has given and not withdrawn its consent to the inclusion in this document of its report in the form and context in which it appears.

16.18 Copies of this document are available on the Company's website and at the offices of the Company, Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL during normal business hours on any weekday (excluding Saturdays, Sundays and any public of bank holidays) from date of this document until the date of Admission.

PART VII

TERMS AND CONDITIONS OF THE PLACING

THE TERMS AND CONDITIONS SET OUT IN THIS PART VII (THE "TERMS AND CONDITIONS") AND THE INFORMATION COMPRISING THIS DOCUMENT ARE RESTRICTED AND ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, INTO OR WITHIN THE UNITED STATES, CANADA, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, JAPAN (EACH A "RESTRICTED JURISDICTION") OR ANY OTHER STATE OR JURISDICTION IN WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL. THE TERMS AND CONDITIONS AND THE INFORMATION CONTAINED HEREIN IS NOT INTENDED TO AND DOES NOT CONTAIN OR CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, SECURITIES TO ANY PERSON IN THE RESTRICTED JURISDICTIONS OR ANY OTHER STATE OR JURISDICTION IN WHICH SUCH AN OFFER WOULD BE UNLAWFUL.

Important information for invited Placees only regarding the Placing

Members of the public are not eligible to take part in the Placing. This document and the Terms and Conditions set out in this Part **VII** are for information purposes only and are directed only at: (a) persons in Member States of the EEA who are "qualified investors" in such Member State within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") ("**EU Qualified Investors**") or (b) persons in the United Kingdom who are "qualified investors" within the meaning of Article 2(e) of the UK version of the Prospectus Regulation which forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**") ("**UK Qualified Investors**") (EU Qualified Investors and UK Qualified Investors together being "**Qualified Investors**").

In addition, in the United Kingdom, this document and the Terms and Conditions are directed only at Qualified Investors who: (i) have professional experience in matters relating to investments falling within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**FPO**"); and/ or (ii) are high net worth entities, unincorporated associations or other bodies falling within the meaning of Article 49(2)(a) to (d) of the FPO; and/or (iii) any other persons to whom it may otherwise be lawfully communicated (each a "**Relevant Person**"). No other person should act or rely on this document and persons distributing this document must satisfy themselves that it is lawful to do so. By accepting the Terms and Conditions each Placee represents and agrees that it is a Relevant Person. This document and the Terms and Conditions set out herein must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document and the Terms and Conditions set out herein relate is available only to Relevant Persons and will be engaged in only with Relevant Persons. This document does not itself constitute an offer for sale or subscription of any securities in the Company.

This document is not an offer of or solicitation to purchase or subscribe for securities in the United States. The Placing Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly within, into or in the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any relevant state or other jurisdiction of the United States. There will be no public offer of the Placing Shares in the United States. The Placing Shares are being offered and sold only (i) outside the United States in "offshore transactions" as defined in, and in accordance with, Regulation S and (ii) in the United States to a limited number of investors reasonably believed to be QIBs in transactions exempt from or otherwise not subject to the registration requirements of the Securities Act. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. No money, securities or other consideration from any person inside the United States is being solicited by this announcement and, if sent in response to the information contained in this announcement, will not be accepted.

Neither this document nor any part of it constitutes or forms an offer to sell or issue, or the solicitation of an offer to acquire, purchase or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution into or within a Restricted Jurisdiction or in any country or territory where to do so may contravene local securities laws or regulations. The distribution of this document (or any part of it or any information contained within it) in other jurisdictions may be restricted by law and therefore persons into whose possession this document (or any part of it or any information contained within it) 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 jurisdictions. The Placing Shares have not been and will not be registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, unless a relevant exemption from such requirements is available, the Placing Shares may not be offered or sold directly or indirectly into or within a Restricted Jurisdiction or to any resident of a Restricted Jurisdiction.

Each Placee should consult with its own advisers as to legal, tax, business, financial and related aspects of a subscription for the Placing Shares.

Each Placee (including individuals, funds or otherwise) who have chosen to participate in the Placing, by making an oral or written offer (including by email) to subscribe for Placing Shares will be deemed to have read and understood this document in its entirety, including these Terms and Conditions set out in this Part VII, and are deemed to be making such offer on these Terms and Conditions and to be providing the representations, warranties, acknowledgements and undertakings contained in this Part VII. In particular, each such Placee represents, warrants and acknowledges that:

A) it is a Relevant Person (as defined above) and undertakes that it will acquire and/or subscribe for, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;

B) it is subscribing for the Placing Shares for its own account or subscribing for the Placing Shares for an account with respect to which it has sole investment discretion and has the authority to make, and does make the representations, warranties, indemnities, acknowledgments, undertakings and agreements contained in this document;

C) in the case of any Placing Shares subscribed for by it as a financial intermediary as that term is used in Article 5 of the Prospectus Regulation or the UK Prospectus Regulation (as applicable), any Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in a Member State or the United Kingdom (as applicable) other than Qualified Investors, or in circumstances which may give rise to an offer of securities to the public other than an offer or resale in the United Kingdom or in a Member State to Qualified Investors, or in circumstances in which the prior consent of Panmure Gordon has been given to each such proposed offer or resale;

D) it understands (or if acting for the account of another person, such person has confirmed that such person understands) the resale and transfer restrictions set out in this Part VII; and

E) if located outside of the United States, (i) it is not a US Person and it is not acting for the account or benefit of a US Person and is acquiring the Placing Shares in an "offshore transaction" meeting the requirements of Regulation S under the Securities Act, or (ii) it is a dealer or other professional fiduciary in the United States acting on a discretionary basis for a non-US Person (other than an estate or trust) in reliance on and in compliance with Regulation S under the Securities Act; and

F) if located in the United States or is a US Person, it is a QIB and will duly execute a US investor letter and deliver the same to the Company and Panmure and its affiliates; and

G) if located in Hong Kong, it is a professional investor, as defined by the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the admission document is confidential and it shall not be shown, further issued, reproduced, passed on, circulated, distributed or published, in whole or in part, in any other way to any other person and it will keep the admission document in strict confidence.

Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this document of which these Terms and Conditions form part should seek appropriate advice before taking any action.

None of Panmure Gordon, nor any of its affiliates, agents, directors, officers or employees, make any representation to any Placees regarding an investment in the Placing Shares

1. INTRODUCTION

Each Placee which confirms its agreement to Panmure Gordon (whether orally or in writing (which may include email) to subscribe for Placing Shares under the Placing, hereby agrees with Panmure Gordon and the Company that it will be bound by these Terms and Conditions and will be deemed to have accepted them.

The Company and Panmure Gordon 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 into which the terms of this Part VII will, where applicable, be deemed to be incorporated.

2. TERMS AND CONDITIONS OF, AND MECHANICS OF PARTICIPATION IN, THE PLACING

This Part VII gives details of the Terms and Conditions of, and the mechanics of participation in, the Placing. By participating in the Placing, each Placee will be deemed to have read and understood this document in its entirety, including these Terms and Conditions, to be participating, making an offer and subscribing for Placing Shares on the Terms and Conditions contained herein and to be providing the representations, warranties, indemnities, acknowledgements and undertakings contained in this Part VII.

No commission will be paid to Placees or by Placees in respect of any Placing Shares.

3. DETAILS OF THE PLACING AGREEMENT AND THE PLACING SHARES

Panmure Gordon has entered into the Placing Agreement with the Company and its Directors pursuant to which, and on the terms and subject to the conditions set out in such Placing Agreement, Panmure Gordon as agent for and on behalf of the Company, has agreed to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price.

The Placing Shares will be placed with institutional investors introduced by Panmure Gordon. The Placing will be conducted in two tranches over two Business Days, with the EIS/VCT Placing Shares being issued unconditionally to the relevant Placees on 2 June 2021, being the Business Day immediately prior to Admission becoming effective, and the General Placing Shares being issued to the remaining Placees on 3 June 2021 (being the expected date of Admission), conditional upon, *inter alia*, Admission becoming effective.

The EIS/VCT Placing is not conditional on the General Placing or Admission. The General Placing, however, is conditional, *inter alia*, on Admission becoming effective and the Placing Agreement not being terminated in accordance with its terms (as detailed further below) and becoming unconditional in all other respects by no later than 8.00 a.m. on 3 June 2021 or such later date (being no later than 24 June 2021) as the Company and Panmure Gordon may determine. Consequently if, following the issue of the EIS/VCT Placing Shares, the conditions relating to Admission are not satisfied, or the Placing Agreement is terminated in accordance with its terms, the General Placing Shares will not be issued and the Company will not receive the related placing monies.

The Placing Shares will be subject to the articles of association of the Company and credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared, made or paid in respect of such Ordinary Shares after the date of issue of the Placing Shares to the relevant Placees.

The Placing Agreement contains certain undertakings, warranties and representations and indemnities given by the Company and the Directors for the benefit of Panmure Gordon and indemnities given by the Company for the benefit of Panmure Gordon. Panmure Gordon has absolute discretion as to whether or not to bring an action against the Company and Directors for breach of these undertakings, warranties and indemnities. None of the Company, the Directors or Panmure Gordon owes any fiduciary duty to any Placee in respect of the representations, warranties, undertakings or indemnities in the Placing Agreement.

Panmure Gordon has the right to terminate the Placing Agreement in certain circumstances, details of which are set out below.

4. APPLICATION FOR ADMISSION

Application will be made to the London Stock Exchange for Admission. It is expected that the EIS/VCT Placing Shares will be allotted, unconditionally, on 2 June 2021; and the General Placing Shares will be allotted on 3 June 2021, conditional on Admission becoming effective. It is expected that Admission will become effective on or around 8.00 a.m. on 3 June 2021 and that dealings in the Placing Shares on AIM will commence at the same time.

5. PARTICIPATION IN AND PRINCIPAL TERMS OF THE PLACING

Panmure Gordon is acting as nominated adviser, financial adviser and sole broker in respect of the Placing, as agent for and on behalf of the Company. Panmure Gordon is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no one else in connection with the matters referred to in this Part VII and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Panmure Gordon or for providing advice in relation to the matters described in this Part VII.

Participation in the Placing will only be available to persons who may lawfully be, and are, invited by Panmure Gordon to participate. Panmure Gordon and any of its affiliates are entitled to participate in the Placing as principal.

The exact number of Placing Shares to be allocated to each Placee shall be determined by Panmure Gordon after consultation (so far as is practicable) with the Company. Panmure Gordon, may choose to accept bids in the Placing, either in whole or in part, on the basis of allocations determined in consultation with the Company and reserve the right to scale back the number of Placing Shares to be subscribed for by any Placee in the event of the Placing being over-subscribed; or not to accept offers for Placing Shares or to accept such offers in part rather than in full.

An offer to subscribe for Placing Shares which has been communicated by a prospective Placee to Panmure Gordon shall not be capable of withdrawal, variation, revocation, termination or rescission without the consent of Panmure Gordon.

Each Placee's allocation of Placing Shares will be communicated orally or in writing (which may include email) by Panmure Gordon to the relevant Placee. That confirmation will give rise to an irrevocable, legally binding commitment by such Placee, in favour of Panmure Gordon and the Company, under which it agrees to acquire the number of Placing Shares allocated to it at the Placing Price and otherwise on the terms and subject to the conditions set out in this Part VII and in accordance with the Company's articles of association. Except with Panmure Gordon's consent, such commitment will not be capable of variation, revocation, termination or rescission at either the time of such oral confirmation or any time thereafter. Each Placee's allocation and commitment will be evidenced by a contract note issued to such Placee by Panmure Gordon. The contract note will set out the number of Placing Shares allocated, the Placing Price and the aggregate amount owed by such Placee to Panmure Gordon. The terms of this Part VII will be deemed incorporated in that contract note.

An offer to acquire Placing Shares which has been communicated by a prospective Placee to Panmure Gordon which has not been withdrawn or revoked prior to publication of this document shall not be capable of withdrawal or revocation immediately following the publication of this document without the consent of Panmure Gordon.

The Placing Price shall be payable to Panmure Gordon by all Placees. Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to Panmure Gordon (as agent for the Company), to pay to it (or as it may direct) in cleared funds immediately on the relevant settlement date as indicated below under *"Registration and Settlement"*, in accordance with the registration and settlement requirements set out below, an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire and the Company has agreed to allot and issue to that Placee.

Irrespective of the time at which a Placee's allocation(s) pursuant to the Placing is/are confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made on the basis explained below under *"Registration and Settlement"*.

All obligations of Panmure Gordon under the Placing will be subject to fulfilment, or (where applicable) waiver of, amongst other things, the conditions referred to below under *"Conditions of the Placing"* and to the Placing Agreement not being terminated on the basis referred to below under *"Termination of the Placing Agreement"*.

By participating in the Placing, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and/or set out in the Placing Agreement and will not be capable of rescission or termination by the Placee.

To the fullest extent permissible by law and applicable FCA rules, none of (a) Panmure Gordon, (b) any of Panmure Gordon's affiliates, agents, directors, officers, employees or consultants, (c) to the extent not contained within (a) or (b), any person connected with Panmure Gordon as defined in the FSMA ((b) and (c) being together "affiliates" and individually an "affiliate" of Panmure Gordon) or (d) any person acting on Panmure Gordon's behalf, shall have any liability (including to the extent permissible by law, any fiduciary duties) to any Placee or to any other person whether acting on behalf of a Placee or otherwise under these Terms and Conditions. In particular, neither Panmure Gordon nor any of its respective affiliates shall have any liability (including, to the fullest extent permissible by law, any fiduciary duties) in respect of their conduct of the Placing or of such alternative method of effecting the Placing as Panmure Gordon and the Company may agree. Each Placee acknowledges and agrees that the Company is responsible for the allotment of the Placing Shares to the Placees, and Panmure Gordon shall not have any liability to Placees for the failure of the Company to fulfil those obligations.

6. REGISTRATION AND SETTLEMENT

Each Placee which has been allocated Placing Shares in the Placing will be sent a contract note by Panmure Gordon stating, *inter alia*, the number of Placing Shares allocated to it, the Placing Price, the aggregate amount owed by such Placee to Panmure Gordon (as agent for the Company).

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by Panmure Gordon in accordance with either the standing CREST or certificated settlement instructions which they have in place with Panmure Gordon.

Settlement of transactions in the Placing Shares (ISIN: GB00BMWLM973) following Admission will take place within the CREST system, subject to certain exceptions. Settlement through CREST with respect to the EIS/VCT Placing Shares will be on a T+4 basis, and unless otherwise notified by Panmure Gordon the settlement date for the EIS/VCT Placing Shares will be 2 June 2021. Settlement through CREST with respect to the General Placing Shares will be on a T+5 basis, and unless otherwise notified by Panmure Gordon the expected settlement date for the General Placing Shares will be 3 June 2021. For the avoidance of doubt, Placing allocations for both the EIS/VCT Placing Shares and the General Placing Shares will be booked with a trade date of 26 May 2021.

In accordance with the contract note, settlement will be on a delivery versus payment basis.

In the event of any difficulties or delays in the admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company and Panmure Gordon may agree that the Placing Shares should be issued or delivered in certificated form.

Panmure Gordon reserves the right to require settlement for the Placing Shares, and to deliver the Placing Shares to Placees, by such other means as it deems necessary if delivery or settlement to Placees is not practicable within the CREST system or would not be consistent with regulatory requirements in a Placee's jurisdiction.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above, in respect of either CREST or certificated deliveries, at the rate of two percentage points above prevailing Sterling Overnight Index Average (SONIA) as determined by Panmure Gordon.

Each Placee is deemed to agree that if it does not comply with these obligations, Panmure Gordon may sell any or all of their Placing Shares on their behalf and retain from the proceeds, for Panmure Gordon's account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The

relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and for any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of their Placing Shares on their behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees must ensure that, upon receipt, the contract note is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to United Kingdom stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

7. CONDITIONS OF THE PLACING

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of Panmure Gordon under the Placing Agreement are, and the Placing is, conditional upon, *inter alia*:

1. all arrangements relating to the Reorganisation having become effective in the manner detailed in paragraph 2.2 of Part VI of this document, including the Resolutions having been duly passed and becoming wholly unconditional, subject only to Admission;
2. the Company allotting, subject only to Admission, the Placing Shares in accordance with the Placing Agreement;
3. the performance by the Company of certain obligations under the Placing Agreement to the extent that they fall to be performed prior to Admission; and
4. Admission occurring not later than 8.00 a.m. on 3 June 2021 or such later time and/or date as Panmure Gordon may agree in writing with the Company (but in any event not later than 8.00 a.m. on 24 June 2021) (the "**Long-Stop Date**").

The Placing Agreement also contains certain conditions to be satisfied (or, where permitted, waived or extended in writing by Panmure Gordon) on or prior to Admission, including there having been no material adverse change (in the opinion of Panmure Gordon) and the performance by the Company and the Directors (as the case may be) of their respective obligations under the Placing Agreement (all conditions to the obligations of Panmure Gordon included in the Placing Agreement being together, the "**Conditions**").

If (i) any of the Conditions are not fulfilled or, where permitted, waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and Panmure Gordon may agree, not being later than the Long-Stop Date), or (ii) the Placing Agreement is terminated in accordance with the circumstances described under *"Termination of the Placing Agreement"* below, the Placing will lapse.

If the Placing lapses for any reason, the rights and obligations of the Placees shall (save where the Placing lapses after the unconditional issue of the EIS/VCT Placing Shares but prior to Admission) cease and terminate from such time and all monies received from such Placee pursuant to the Placing shall be returned to such Placee without interest, at the risk of the relevant Placee and each such Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof. If the Placing lapses after the unconditional issue of the EIS/VCT Placing Shares but prior to Admission, all obligations and liabilities owed by the Placees allocated with such EIS/VCT Placing Shares will survive lapse of the Placing and any monies received from such Placees will not be returned to them and each such Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

Certain Conditions may be waived in whole or in part by Panmure Gordon in its absolute discretion and Panmure Gordon may also agree in writing with the Company to extend the time for satisfaction of any condition up to the Long-Stop Date, save that, *inter alia*, the condition relating to Admission taking place may not be waived and the period for compliance with such condition may not be extended. Any such extension or waiver will not affect Placees' commitments as set out in this Part VII.

Panmure Gordon may terminate the Placing Agreement in certain circumstances, details of which are set out below.

None of Panmure Gordon, the Company nor any of their respective affiliates, agents, consultants, directors, employees or officers shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision any of them may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision any of them may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of Panmure Gordon.

8. TERMINATION OF THE PLACING AGREEMENT

Panmure Gordon may terminate its obligations under the Placing Agreement, in accordance with its terms, at any time prior to Admission, in certain circumstances, including if, *inter alia*:

1. the Company or the Directors fail to comply with any of their respective obligations under the Placing Agreement in any respect which Panmure Gordon (acting in good faith) considers to be material in the context of the business of the Group, the Placing and/or Admission; or
2. it comes to the notice of Panmure Gordon that any statement contained in any of the Placing Documents is untrue, inaccurate or misleading by reference to the facts subsisting at the time in each case in any respect which Panmure Gordon (acting in good faith) considers to be material in the context of the business of the Group, the Placing or Admission; or
3. it comes to the notice of Panmure Gordon that any of the warranties given by the Company or the Directors (a) was not at the date of the Placing Agreement true and accurate in any respect or (b) by reference to the circumstances prevailing from time to time has ceased to be true and accurate or has become misleading (or would not be true and accurate or would be misleading if they were to be repeated at any time before Admission), in each case to an extent which Panmure Gordon (acting in good faith) considers to be material in the context of the business of the Group, the Placing and/or Admission; or
4. in the opinion of Panmure Gordon (acting in good faith), there has been a development or event (or any development or event involving a prospective change of which the Company is, or might reasonably be expected to be, aware) which will or is likely to have a material adverse effect on the operations, condition (financial, operational, legal or otherwise), prospects, management, results of operations, financial position, business or general affairs of the Company or of the Group respectively, whether or not foreseeable and whether or not arising in the ordinary course of business; or
5. there has been a change in national or international financial, political, economic or stock market conditions (primary or secondary); an incident of terrorism, outbreak or escalation of hostilities, war, declaration of martial law or any other calamity or crisis (including any material worsening in, or material escalation in the response to, the COVID-19 pandemic); a suspension or limitation in trading of securities generally on any stock exchange or minimum or maximum prices for trading have been fixed or a maximum range for prices has been required by any stock exchange or by order of any regulatory or governmental authority; any change in currency exchange rates or exchange controls or a disruption of settlement systems or clearance services or a material disruption in commercial banking, any declaration of a banking moratorium, or any adverse change or prospective adverse change of tax affecting the Ordinary Shares or the allotment, issue, delivery of transfer thereof; which taken solely or together with any other matter set out herein, would be likely in the opinion of Panmure Gordon (acting in good faith) to materially prejudice the success of the Placing.

If the Placing Agreement is terminated in accordance with its terms, the rights and obligations of the Placees shall (save where the Placing Agreement is terminated after the unconditional issue of the EIS/VCT Placing Shares but prior to Admission) cease and terminate from such time and all monies received from such Placee pursuant to the Placing shall be returned to such Placee without interest, at the risk of the relevant Placee and each such Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof. If the Placing Agreement is terminated after the unconditional issue of the EIS/VCT Placing Shares but prior to Admission, all obligations and liabilities owed by the Placees allocated with such EIS/VCT Placing Shares will survive termination of the Placing Agreement and any monies received from such Placees will not be returned to them and each such Placee agrees that

no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

The rights and obligations of the Placees will not be subject to termination by the Placees or any prospective Placees at any time or in any circumstances.

By participating in the Placing, each Placee agrees with the Company and Panmure Gordon that the exercise by the Company, or Panmure Gordon, of any right of termination or any other right or other discretion under the Placing Agreement shall be within the absolute discretion of the Company or Panmure Gordon and that neither the Company nor Panmure Gordon needs make any reference to such Placee and that none of Panmure Gordon, the Company, nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to such Placee (or to any other person whether acting on behalf of a Placee or otherwise) whatsoever in connection with any such exercise. Placees will have no rights against Panmure Gordon, the Company or any of their respective directors or employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999 (as amended).

9. NO PROSPECTUS

No offering document or prospectus has been or will be submitted to be approved by the FCA or submitted to the London Stock Exchange in relation to the Placing or the Placing Shares and no such prospectus is required on the basis that all offers of Placing Shares will be made pursuant to an exemption under the Prospectus Regulation and/or the UK Prospectus Regulation. Placees' commitments will be made solely on the basis of the information contained in this Part VII and subject to any further terms set forth in the contract note to be sent to individual Placees.

Each Placee, by accepting a participation in the Placing, agrees that the content of this document and all other publicly available information previously or simultaneously published by the Company by notification to a Regulatory Information Service or otherwise filed by the Company is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Company, Panmure Gordon or any other person and none of the Company, Panmure Gordon or any of their respective affiliates will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph should exclude or limit the liability of any person for fraudulent misrepresentation by that person.

10. REPRESENTATIONS, WARRANTIES AND FURTHER TERMS

By participating in the Placing, each Placee and/or any person acting on such Placee's behalf irrevocably acknowledges, agrees, represents, undertakes, and warrants to Panmure Gordon (for itself and as agent on behalf of the Company) that (save where Panmure Gordon expressly agrees in writing to the contrary):

1. it has read and understood the entirety of this document, including the Terms and Conditions set out in this Part VII in its entirety and it agrees and acknowledges that the issue and/or its acquisition of the Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements, undertakings and other information contained in this Part VII and not in reliance on any information given or any representations, warranties or statements made at any time by any person in connection with Admission, the Company, the Placing or otherwise, other than the information contained in this document, and undertakes not to redistribute or duplicate this document or any part of it;
2. it is a Relevant Person and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business;
3. in the case of a Relevant Person in the United Kingdom who acquires any Placing Shares pursuant to the Placing: (a) it is a UK Qualified Investor as defined under Article 2(e) of the UK Prospectus Regulation; who (i) has professional experience in matters relating to investments falling within Article 19(5) of the FPO; and/or (ii) falls within Article 49(2)(A) to (D) ("*High Net Worth Companies, Unincorporated Associations, etc*") of the FPO; and/or (iii) is another person to whom this document may otherwise be lawfully distributed without an obligation to issue a prospectus; and (b) in the case

of any Placing Shares subscribed for by it as a financial intermediary, as that term is used in Regulation 5(1) of the UK Prospectus Regulation: (i) the Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in the United Kingdom in circumstances which may give rise to an offer to the public other than an offer or resale in the United Kingdom to UK Qualified Investors, or in circumstances in which the prior consent of Panmure Gordon has been given to each such proposed offer or resale; or (ii) where Placing Shares have been subscribed for by it on behalf of persons in the United Kingdom other than UK Qualified Investors, the offer of those Placing Shares to it is not treated under the UK Prospectus Regulation as having been made to such persons;

4. in the case of a Relevant Person in the EEA, who acquires any Placing Shares pursuant to the Placing: (a) it is a EU Qualified Investor as defined under Article 2(e) of the Prospectus Regulation; and (b) in the case of any Placing Shares subscribed for by it as a financial intermediary, as that term is used in Regulation 5(1) of the Prospectus Regulation: (i) the Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in any Member State other than an offer or resale in the EEA to EU Qualified Investors, or in circumstances in which the prior consent of Panmure Gordon has been given to each such proposed offer or resale; or (ii) where Placing Shares have been subscribed for by it on behalf of persons in any Member State other than EU Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Regulation as having been made to such persons;

5. it represents and warrants that neither it nor the beneficial owner of the Placing Shares is, and at the time the Placing Shares are subscribed for will not be, a resident of, or with an address in, or subject to the laws of, Canada, Australia, The Republic of South Africa, or Japan, or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares;

6. it acknowledges and agrees that the Placing Shares have not been and will not be registered or otherwise qualified under the securities legislation of a Restricted Jurisdiction or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions;

7. it acknowledges that: (a) no action has been or will be taken by any of the Company, Panmure Gordon or any person acting on their behalf that would, or is intended to, permit a public offer of the Placing Shares in any country or jurisdiction where any such action for that purpose is required; (b) the Placing Shares have not been registered or otherwise qualified, and will not be registered or otherwise qualified, for offer and sale nor will a prospectus be cleared or approved in respect of any of the Placing Shares under the securities laws of the United States (or any state or other jurisdiction of the United States) or any other Restricted Jurisdiction; (c) subject to certain exceptions, the Placing Shares may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, into or within a Restricted Jurisdiction or in any country or jurisdiction where any such action for that purpose is required;

8. it will not distribute, forward, transfer or otherwise transmit this document, any information contained within it or any part of it, or any other presentational or other materials concerning the Placing (including electronic copies thereof) into or within the United States or to any US Person, and it has not distributed, forwarded, transferred or otherwise transmitted any such materials into or within the United States or to any US Person;

9. it understands, and each account it represents has been advised that (i) the Placing Shares have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States and are being offered in a transaction not involving any public offering in the United States, (ii) the Placing Shares are being offered and sold pursuant to Regulation S under the Securities Act or in a transaction exempt from or not subject to the registration requirements under the Securities Act; and (iii) the Placing Shares may not be reoffered, resold, pledged or otherwise transferred except pursuant to an exemption from or in a transaction not subject to the registration requirements under the Securities Act;

10. if located outside of the United States, it represents and warrants that it is not a US Person, it, and any accounts it represents, (i) is, or at the time the Placing Shares are acquired will be, outside the United States and is not acquiring the Placing Shares for the account or benefit of any US Person or any other person located in the United States, unless the instruction to acquire was received from a person outside the United States and the person giving such instruction has confirmed that it has the authority

to give such instruction, and that it has investment discretion over such account, (ii) is acquiring the Placing Shares in an "offshore transaction" (as defined in, and in accordance with Regulation S) and (iii) will not offer or sell, directly or indirectly, any of the Placing Shares except outside the United States in an offshore transaction pursuant to Rule 903 or Rule 904 of Regulation S to, or for the account or benefit of, a person who is not known to it to be a US Person or in the United States;

11. if located in the United States, it, and any accounts it represents (i) is a QIB and has delivered a US investor letter in the form provided to it, by Panmure Gordon or the Company, (ii) is acquiring the Placing Shares for its own account, or for the account managed on behalf of another QIB, for investment purposes and not with a view to any distribution in the United States within the meaning of the Securities Act, (iii) if it is acquiring the Placing Shares as a fiduciary or agent for one or more investor accounts, each such account is a QIB, has sole investment discretion with respect to each such account and has full power and authority to make the acknowledgements, representations, warranties and agreements herein on behalf of each such account, (iv) understands and agrees that the Placing Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that the Placing Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to that effect in addition to such other legends as the Company deems necessary or as are required under applicable law, (v) that the Placing Shares may not be reoffered, resold, pledged or otherwise transferred by it except (a) outside the United States in an offshore transaction pursuant to Rule 903 or Rule 904 of Regulation S to, or for the account or benefit of, a person who is not known to it to be a US Person or in the United States, (b) in the United States to a person whom the seller reasonably believes is a QIB to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A, (c) pursuant to Rule 144 under the Securities Act (if available), (d) to the Company, (e) pursuant to an effective registration statement under the Securities Act, or (f) pursuant to another available exemption, if any, from registration under the Securities Act, in each case in compliance with all applicable laws, and (vi) for so long as the Placing Shares are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act), it will segregate such Placing Shares from any other shares that they hold that are not restricted securities, shall not deposit such shares in any depositary facility established or maintained by a depositary bank and will only transfer such Placing Shares in accordance with the foregoing restrictions;

12. it is not subscribing for any Placing Shares as a result of (i) any "directed selling efforts" as that term is defined in Regulation S under the Securities Act or (ii) any form of "general solicitation or general advertising" within the meaning of Regulation D under the Securities Act;

13. if it is located in the United States, (i) it has consulted its own independent advisers or otherwise has satisfied itself concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws generally and the Securities Act, (ii) it has received all information that it believes is necessary or appropriate in order to make an investment decision in respect of the Company and the Placing Shares and (iii) it is aware and understands that an investment in the Placing Shares involves a considerable degree of risk and that the Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority;

14. it and/or each person on whose behalf it is participating (a) is entitled to acquire Placing Shares pursuant to the Placing under the laws and regulations of all relevant jurisdictions; (b) has fully observed such laws and regulations; and (c) has the capacity and has obtained all requisite authorities and consents (including, without limitation, in the case of a person acting on behalf of a Placee, all requisite authorities and consents to agree to the terms set out or referred to in this Part VII) under those laws or otherwise and has complied with all necessary formalities to enable it to enter into the transactions and make the acknowledgements, agreements, indemnities, representations, undertakings and warranties contemplated hereby and to perform and honour its obligations in relation thereto on its own behalf (and in the case of a person acting on behalf of a Placee on behalf of that Placee); (d) does so agree to the terms set out in this Part VII and does so make the acknowledgements, agreements, indemnities, representations, undertakings and warranties contained in this Part VII on its own behalf (and in the case of a person acting on behalf of a Placee on behalf of that Placee); and (e) is and will remain liable to the Company and Panmure Gordon for the performance of all its obligations as a Placee of the Placing (whether or not it is acting on behalf of another person);

15. it is acquiring the Placing Shares for its own account or if it is acquiring the Placing Shares on behalf of another person it confirms that it exercises sole investment discretion in relation to such other person's affairs and has the authority to make, and does make the representations, warranties, indemnities, acknowledgements, undertakings and agreements contained in this document;

16. if it is a pension fund or investment company, its subscription of Placing Shares is in full compliance with all applicable laws and regulation;

17. to the fullest extent permitted by law, it acknowledges and agrees to the disclaimers contained in this document including this Part VII;

18. it acknowledges that the allocation of Placing Shares in respect of the Placing shall be determined by Panmure Gordon after consultation (as far as is practicable) with the Company and Panmure Gordon may scale back any placing commitment on such basis as it may determine (which may not be the same for each Placee);

19. it understands (or if acting on behalf of another person, such person has confirmed that such person understands) the resale and transfer restrictions set out in this Part VII and represents and warrants that it will notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the Placing Shares of the foregoing restrictions on transfer and resale;

20. it has not received a prospectus or other offering document in connection with the Placing and acknowledges that no prospectus or other offering document: (a) is required under the UK Prospectus Regulation or the Prospectus Regulation; and (b) has been or will be prepared in connection with the Placing or the Placing Shares;

21. it has made its own assessment of the Company, the Placing Shares and the terms of the Placing and has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. It has not relied on (a) any investigation that Panmure Gordon or any person acting on Panmure Gordon's behalf may have conducted with respect to the Company, the Placing or the Placing Shares; or (b) any other information given or any other representations, statements or warranties made at any time by any person in connection with Admission, the Company, the Placing, the Placing Shares or otherwise;

22. none of Panmure Gordon, the Company, or any of their respective affiliates, agents, consultants, directors, employees, officers or any person acting on behalf of any of them has provided, nor will provide, it with any material regarding the Placing Shares or the Company or any other person in addition to the information in this document; nor has it requested Panmure Gordon, the Company, or any of their respective affiliates, agents, consultants, employees, directors or officers or any person acting on behalf of any of them to provide it with any such information;

23. the content of this document has been prepared by and is exclusively the responsibility of the Company. Neither Panmure Gordon nor its affiliates or any persons acting on behalf of it are responsible for or has or shall have any liability for any information, representation, warranty or statement, written or oral relating to the Company and either contained in this document or any information previously or concurrently published by or on behalf of the Company. Panmure Gordon will not be liable for any Placee's decision to participate in the Placing based on any information, representation, warranty or statement contained in this document or otherwise. None of Panmure Gordon, nor any of its affiliates, agents, consultants, directors, employees or officers has made any representation or warranty to the Placee, express or implied, with respect to the Company, the Placing or the Placing Shares or the accuracy, completeness or adequacy of the information in this document, nor shall they have any liability for this document, any publicly available or filed information or any representation relating to the Company, provided that nothing in this Part VII shall exclude the liability of any person for fraudulent misrepresentation made by that person;

24. none of Panmure Gordon, any of its affiliates or any of its directors and employees shall be liable to Placees for any matter arising out of Panmure Gordon's role in connection with the Placing and that where any such liability nevertheless arises as a matter of law each Placee will immediately waive any claim against any of such persons which it may have in respect thereof;

25. the only information on which it is entitled to rely and on which it has relied in committing itself to subscribe for or acquire the Placing Shares is contained in this draft of this document and the Terms and Conditions contained within this Part VII. It has satisfied itself that such information is still current and is all that it deems necessary to make an investment decision in respect of the Placing Shares;

26. it has the funds available to pay in full for the Placing Shares which it has agreed to acquire and acknowledges, agrees and undertakes that it will make payment to Panmure Gordon for the total amount due by it for the Placing Shares allocated to it in accordance with the Terms and Conditions of this Part VII on the due times and dates set out in this Part VII or the relevant contract note, failing which the relevant Placing Shares may be placed with others on such terms as Panmure Gordon may, in its absolute discretion determine without liability to the Placee and it will remain liable for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties due pursuant to the terms set out or referred to in this Part VII) which may arise upon the sale of such Placee's Placing Shares on its behalf;

27. it, or the person specified by it for registration as a holder of the Placing Shares will be responsible for any liability to stamp duty or stamp duty reserve tax payable on the acquisition of any of the Placing Shares or the agreement to subscribe for the Placing Shares and shall indemnify the Company and Panmure Gordon in respect of the same on the basis that the Placing Shares will be allotted to a CREST stock account of Panmure Gordon who will hold them as nominee on behalf of such Placee (or the person specified by it for registration as holder of the Placing Shares) until settlement with it in accordance with its standing settlement instructions;

28. the allocation, allotment, issue, transfer and delivery to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a stamp duty or stamp duty reserve tax liability under (or at a rate determined under) any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services); that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer Placing Shares into a clearance system; that no instrument under which it subscribes for or agrees to acquire Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or stamp duty reserve tax at the increased rates referred to in those sections; and that it, or the person specified by it for registration as holder of the Placing Shares, is not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue, transfer or delivery of Placing Shares would give rise to such a liability;

29. it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to Placing Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person and it acknowledges and agrees that Panmure Gordon has not approved this document in its capacity as an authorised person under section 21 of FSMA and it may not therefore be subject to the controls which would apply if it was made or approved as a financial promotion by an authorised person;

30. it has complied and it will comply with all applicable laws with respect to anything done by it or on its behalf in relation to the Placing Shares, including all relevant provisions of the FSMA, MAR and UK MAR in respect of anything done in, from or otherwise involving the EEA or the United Kingdom (as applicable);

31. none of Panmure Gordon, the Company, nor any of their respective affiliates, agents, consultants, directors, employees or officers or any person acting on behalf of any of them are making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing nor providing advice in relation to the Placing nor in respect of any acknowledgements, agreements, indemnities, representations, undertakings or warranties contained in the Placing Agreement nor the exercise or performance of Panmure Gordon's rights and obligations thereunder, including any rights to waive or vary any conditions or exercise any termination right. Its participation in the Placing is on the basis that it is not and will not be a client of Panmure Gordon and Panmure Gordon has no duties or responsibilities to it or its clients, for providing the protections afforded to its clients or customers under the rules of the FCA, and any payment by it will not be treated as client money governed by the rules of the FCA;

32. Panmure Gordon and each of its affiliates, each acting as an investor for its or their own account(s), may, in accordance with applicable legal and regulatory provisions, bid or subscribe for Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this Part VII to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Panmure Gordon and/or any of its affiliates, acting as an investor for its or

their own account(s). Neither Panmure Gordon, nor the Company intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;

33. it will not make any offer to the public of the Placing Shares and it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or in the EEA prior to the expiry of a period of six months from Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted, and which will not result in, an offer to the public in the United Kingdom for the purposes of section 85(1) of FSMA or an offer to the public in any other Member State of the EEA within the meaning of the Prospectus Regulation;

34. it represents and warrants that: (a) it has complied with, and will continue to comply with, its obligations under the Criminal Justice Act 1993 and market abuse under UK MAR; (b) in connection with money laundering and terrorist financing, it has complied with, and will continue to comply with, its obligations under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000 (as amended), the Terrorism Act 2006, the Anti-Terrorism Crime and Security Act 2001 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; and (c) is not a person (i) with whom transactions are prohibited under the Foreign Corrupt Practices Act 1977 (as amended) or any economic sanction programmes administered by, or regulations promulgated by, the Office of Foreign Assets Control of the U.S. Department of the Treasury; (ii) named on the Consolidated List of Financial Sanctions Targets maintained by HM Treasury of the United Kingdom; or (iii) subject to financial sanctions imposed pursuant to a regulation of the European Union or a regulation adopted by the United Nations (together, the "**Regulations**"); and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations and has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, an acquisition of the Placing Shares;

35. it has neither received nor relied on any confidential or price-sensitive information concerning the Company in accepting this invitation to participate in the Placing;

36. if it has received any 'inside information' (for the purposes of the UK MAR and section 56 of the Criminal Justice Act 1993) in relation to the Company and its securities, it confirms that it has received such information within the market soundings regime provided for in article 11 of the UK MAR and associated delegated regulations and it has not: (i) dealt (or attempted to deal) in the securities of the Company; (ii) encouraged, recommended or induced another person to deal in the securities of the Company; or (iii) unlawfully disclosed inside information to any person, prior to the information being made publicly available;

37. in order to ensure compliance with the Money Laundering Regulations 2017, Panmure Gordon (for itself and as agent on behalf of the Company) or the Company's registrars may, in their absolute discretion, require verification of its identity. Pending the provision to Panmure Gordon or the Company's registrars, as applicable, of evidence of identity, definitive certificates in respect of the Placing Shares may be retained at Panmure Gordon's absolute discretion or, where appropriate, delivery of the Placing Shares to it in uncertificated form may be delayed at Panmure Gordon's or the Company's registrars', as the case may be, absolute discretion. If within a reasonable time after a request for verification of identity Panmure Gordon (for itself and as agent on behalf of the Company) or the Company's registrars have not received evidence satisfactory to them, Panmure Gordon and/or the Company may, at their absolute discretion, terminate their commitment in respect of the Placing, in which event the monies payable on acceptance of allotment will, if already paid, be returned without interest to the account of the drawee's bank from which they were originally debited;

38. it acknowledges that its commitment to acquire Placing Shares on the terms set out in this Part VII and in the contract note will continue notwithstanding any amendment that may in future be made to the Terms and Conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's or Panmure Gordon's conduct of the Placing;

39. it agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which it has agreed to subscribe for pursuant to the Placing have been acquired by it;

40. if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Placing Shares under the Placing and will not be any such person on the date that such subscription is accepted;

41. it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further acknowledges that it is experienced in investing in securities of this nature and is aware that it may be required to bear, and it, and any accounts for which it may be acting, are able to bear, the economic risk of, and is able to sustain, a complete loss in connection with the Placing. It has relied upon its own examination and due diligence of the Company and its affiliates taken as a whole, and the terms of the Placing, including the merits and risks involved;

42. it irrevocably appoints any duly authorised officer of Panmure Gordon as its agent for the purpose of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares for which it agrees to subscribe upon the terms of this Part VII;

43. (a) the Company, Panmure Gordon and others (including each of their respective affiliates, agents, directors, officers or employees) will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements, undertakings and agreements, which are given to Panmure Gordon, on its own behalf and on behalf of the Company and are irrevocable; (b) Panmure Gordon is irrevocably authorised to produce this document, including this Part VII, or a copy thereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby; and (c) if any of the representations and agreements deemed to have been made by it by its subscription for Placing Shares are no longer accurate, it shall promptly notify the Company and Panmure Gordon;

44. it acknowledges that time is of the essence as regards its obligations under this Part VII;

45. any document that is to be sent to it in connection with the Placing will be sent at its risk and may be sent to it at any address provided by it to Panmure Gordon;

46. if it is acting as a "distributor" (for the purposes of UK Product Governance Rules and/or the MiFID II Product Governance Requirements): (a) it acknowledges that the UK Target Market Assessment and the EU Target Market Assessment undertaken by Panmure Gordon does not constitute: (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook or MiFID II, as applicable; or (ii) a recommendation to any investor or group of investors to invest in, subscribe for, or take any other action whatsoever with respect to the Placing Shares and each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels; (b) notwithstanding any UK Target Market Assessment and/or EU Target Market Assessment undertaken by Panmure Gordon it confirms that, other than where it is providing an execution-only service to investors, it has satisfied itself as to the appropriate knowledge, experience, financial situation, risk tolerance and objectives and needs of the investors to whom it plans to distribute the Placing Shares and that it has considered the compatibility of the risk/reward profile of such Placing Shares with the end target market; and (c) it acknowledges that the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom; and

47. the Terms and Conditions in this Part VII and all documents into which this document is incorporated by reference or otherwise validly forms a part and/or any agreements entered into pursuant to these Terms and Conditions and all agreements to acquire Placing Shares pursuant to the Placing will be governed by and construed in accordance with English law and it submits to the exclusive jurisdiction of the English courts in relation to any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or Panmure Gordon in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange.

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) agrees to indemnify on an after-tax basis and hold the Company, Panmure Gordon and each of their respective affiliates, agents, consultants, directors, employees and officers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach

of any of the acknowledgements, agreements, representations, undertakings and warranties given by the Placee (and any person acting on such Placee's behalf) in this Part VII or incurred by Panmure Gordon, the Company, or any of their respective affiliates, agents, consultants, directors, employees or officers arising from the performance of the Placee's obligations as set out in this Part VII, and further agrees that the provisions of this Part VII shall survive completion of the Placing.

The agreement to allot and issue, or sell, Placing Shares to Placees (or the persons for whom Placees are contracting as agent) free of stamp duty and stamp duty reserve tax in the United Kingdom relates only to their transfer, or allotment and issue to Placees, or such persons as they nominate as their agents, directly by the Company. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable. In that event, the Placee agrees that it shall be responsible for such stamp duty or stamp duty reserve tax and neither the Company nor Panmure Gordon shall be responsible for such stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and they should notify Panmure Gordon accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares and each Placee, or the Placee's nominee, in respect of whom (or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue, transfer or delivery of Placing Shares has given rise to such non-United Kingdom stamp, registration, documentary, transfer or similar taxes or duties undertakes to pay such taxes and duties, including any interest and penalties (if applicable), forthwith and to indemnify on an after-tax basis and to hold harmless the Company and Panmure Gordon in the event that either the Company and/or Panmure Gordon has incurred any such liability to such taxes or duties.

The acknowledgements, representations, undertakings and warranties contained in this Part VII are given to Panmure Gordon for itself and as agent on behalf of the Company and are irrevocable and will survive completion of the Placing.

Each Placee and any person acting on behalf of the Placee acknowledges that Panmure Gordon does not owe any fiduciary or other duties to any Placee in respect of any acknowledgements, agreements, indemnities, representations, undertakings or warranties in the Placing Agreement.

When a Placee or any person acting on behalf of the Placee is dealing with Panmure Gordon, any money held in an account with Panmure Gordon on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules and regulations of the FCA made under the FSMA. Each Placee acknowledges that the money will not be subject to the protections conferred by the client money rules: as a consequence this money will not be segregated from Panmure Gordon's money in accordance with the client money rules and will be used by it in the course of its own business and the Placee will rank only as a general creditor of Panmure Gordon.

References to time in this Part VII are to London time, unless otherwise stated. All times and dates in this Part VII may be subject to amendment.

The rights and remedies of Panmure Gordon 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.

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

Past performance is no guide to future performance and persons needing advice should consult an independent financial