

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should consult a person authorised under the Financial Services and Markets Act 2000 as amended (“FSMA”) who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled “Risk Factors” in Part II of this document before taking any action.

This document comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA and is not a prospectus for the purposes of the Prospectus Rules, nor is it approved by the UK Listing Authority or the FSA.

There is no requirement for this document to be approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in the Isle of Man and this document will not be filed with any such authority.

The Directors, whose names and functions appear on page 8 of this document, and the Company, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 22 November 2010. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies 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 AIM Rules are less demanding than the listing rules of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority.

3D Diagnostic Imaging plc

*(A company incorporated and registered in the Isle of Man under the
Isle of Man Companies Act 2006 with registered number 002845V)
(ISIN IM00B3VVC89)*

Cancellation of trading on PLUS-quoted

Placing of 45,248,318 Ordinary Shares at 6p per Ordinary Share

Admission to trading on AIM and Notice of Extraordinary General Meeting

Nominated Adviser and Broker



finnCap Limited, which is authorised and regulated by the FSA, is acting as Nominated Adviser and Broker to the Company and no one else in connection with the Proposals and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of finnCap nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of finnCap, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document.

Notice convening an extraordinary general meeting of 3D Diagnostic Imaging plc to be held at the Company's offices at 34 North Quay, Douglas, Isle of Man, IM1 4LB at 10.00 a.m. on 19 November 2010 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey as soon as possible and to be valid must arrive not less than 48 hours before the time appointed for the holding of the meeting, that is 10.00 a.m. on 17 November 2010.

The whole of this document should be read. Your attention is drawn in particular to Part I, “Letter from the Chairman” and to Part II, “Risk Factors”.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This document ought not to be copied or distributed by recipients. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, or Japan and, may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document nor any copy of it may be distributed in or sent to or taken into the United States, Canada, Australia, the Republic of South Africa or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Marriott Harrison, Staple Court, 11 Staple Inn Buildings, London WC1V 7QH, from the date of this document and for a period of one month from the date of Admission. This document and the related Form of Proxy will be available to download from the Company's website at www.3ddiagnosticimaging.com

No person has been authorised to give any information or to make any representation about the Company and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document and any subscriptions for New Ordinary Shares made pursuant to it shall not imply that no change has occurred in the Company's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

CONTENTS

	<i>Page</i>
Placing Statistics and Expected Timetable of Principal Events	3
Definitions & Glossary	4
Technical Definitions	7
Directors and Advisers	8
Part I Letter from the Chairman	9
Part II Risk Factors	18
Part III Financial Information	23
Section A	
Accountant's Report on 3D Diagnostic Imaging plc and its subsidiary undertaking	23
Section B	
Historical Financial Information relating to the Group prepared under IFRS	25
Part IV Statutory and General Information	43
Notice of Extraordinary General Meeting	83

PLACING STATISTICS

Placing Price per Placing Share	6p
Number of Existing Ordinary Shares	108,004,285
Number of Conversion Shares to be issued	16,555,555
Number of Ordinary Shares in issue following the issue of the Conversion Shares but before the issue of the Placing Shares	124,559,840
Number of Placing Shares to be issued	45,248,318
Number of Subscription Shares to be issued	666,666
Enlarged Share Capital	170,474,824
Percentage of Enlarged Share Capital represented by Placing Shares	26.5%
Market capitalisation of the Company at the Placing Price on Admission	£10.23m
Gross proceeds of the Placing	£2.71m
Estimated net proceeds of the Placing	£2.32m

ESTIMATED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	26 October 2010
Latest time and date for receipt of the completed Form of Proxy to be valid at the Extraordinary General Meeting	10.00 a.m. on 17 November 2010
Extraordinary General Meeting	10.00 a.m. on 19 November 2010
Cancellation of trading on PLUS of the Existing Ordinary Shares	19 November 2010
Admission effective and dealings in Enlarged Share Capital to commence on AIM	22 November 2010
Settlement of Conversion Shares, Subscription Shares and Placing Shares in CREST	22 November 2010
Despatch of definitive share certificates for Placing Shares, Subscription Shares and Conversion Shares (where applicable)	By 7 December 2010

DEFINITIONS AND GLOSSARY

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

“Act”	the Isle of Man Companies Act 2006, as amended
“Admission”	admission of the Enlarged Share Capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange relating to AIM, as amended from time to time
“Articles”	the articles of association of the Company from time to time
“CarieScan”	CarieScan Limited, a company incorporated in Scotland with registered number SC343197, the Company’s wholly owned Subsidiary
“CarieScan LLC”	the wholly owned subsidiary of CarieScan, incorporated in Delaware
“Company” or “3D Diagnostic”	3D Diagnostic Imaging plc
“Conversion Price”	4.5 pence per Conversion Share, as provided in the Loan Note Instrument
“Conversion Shares”	the 16,555,555 new Ordinary Shares to be issued pursuant to the Loan Note Instrument in order to effect the conversion of the Loan Notes into Ordinary Shares at the Conversion Price
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form, which is administered by Euroclear UK & Ireland Limited
“CREST Regulations”	the Isle of Man Uncertificated Securities Regulations 2006, as amended
“Deed of Adherence”	the deed of adherence between Kevin Byrne and the Company dated 17 March 2009 pursuant to which Kevin Byrne invested £5,000 in the Company on the same terms as those set out in the Investment Agreement
“Directors” or “Board”	the board of directors of the Company whose names are set out on page 8
“Disclosure and Transparency Rules”	(in accordance with section 73A(3) of FSMA) rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market pr for which a request for admission to trading on such a market has been made
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, convened for 10.00 a.m. on 19 November 2010 and which is to be held at the offices of the Company
“EIS”	Enterprise Investment Scheme and related reliefs as detailed in Part 5 of the Income Tax Act 2007 and in section 105A to 105C and schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992

“EMI Share Option Scheme”	the 3D Diagnostic Imaging plc 2009 Enterprise Management Incentive Share Option Plan
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares, the Conversion Shares, the Subscription Shares and the Placing Shares
“Evolve”	Evolve Capital plc
“Existing Ordinary Shares”	the 108,004,285 Ordinary Shares in issue as at the date of this document
“finnCap”	finnCap Ltd, nominated adviser and broker to the Company
“Form of Proxy”	the form of proxy in respect of the EGM sent to holders of Ordinary Shares with this document for use in connection with the EGM
“Founders”	Evolve and Jemima Hoskins
“FSA”	the United Kingdom Financial Services Authority
“FSMA”	the United Kingdom Financial Services and Markets Act 2000, as amended
“Group” or “3D Diagnostic Group”	3D Diagnostic Imaging plc together with its wholly owned subsidiary CarieScan and CarieScan’s own wholly owned subsidiary CarieScan LLC
“HMRC”	Her Majesty’s Revenue and Customs
“Initial Placing Shares”	345,000 Ordinary Shares which have been placed with an investor prior to the EGM and Admission
“Investment Agreement”	the investment agreement dated 13 February 2009 between (1) Scottish Enterprise, (2) Evolve, (3) the other investors introduced by Evolve, (4) the Founders, (5) Graham Lay and (6) the Company
“IP”	intellectual property rights
“Loan Conversion”	the proposed capitalisation of all the principal under the Loan Notes into 16,555,555 Ordinary Shares at the Conversion Price, being a discount of 25 per cent. to the Placing Price
“Loan Notes”	the £745,000 of unsecured convertible loan notes attracting interest at a rate of 5 per cent. per annum and constituted by the Loan Note Instrument
“Loan Note Holder”	the persons entered in the register of holders of Loan Notes from time to time
“Loan Note Instrument”	the loan note instrument of the Company dated 1 July 2010 constituting the Loan Notes further details of which are set out in paragraph 9.1.3 of Part IV of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	together, the Conversion Shares, the Subscription Shares and the Placing Shares
“NHS”	National Health Service

“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing, nominated adviser and broker agreement dated 26 October 2010 between the Company, the Directors and finnCap, further details of which are set out in paragraph 9.1.1 of Part IV of this document
“Placing Price”	6p per Placing Share
“Placing Shares”	the 45,248,318 new Ordinary Shares to be issued pursuant to the Placing
“PLUS Market”	the primary market operated by PLUS Markets Group plc for dealings in unlisted securities of issuers admitted to trading in accordance with the PLUS Rules for Issuers
“PLUS-quoted”	a market operated by PLUS Markets Plc
“Proposals”	the Admission, the Loan Conversion and the Placing
“Prospectus Rules”	the prospectus rules made pursuant to section 73A of FSMA
“Resolution”	means the resolution contained in the notice of EGM set out at the end of this document
“Scottish Enterprise”	Scottish Enterprise, a statutory corporation established under the Enterprise and New Towns (Scotland) Act 1990
“Shareholders”	person(s) who is/are registered as holder(s) of Ordinary Shares from time to time
“Share Option Scheme”	the 3D Diagnostic Imaging plc Unapproved Executive Share Option Scheme
“Subscription Shares”	the 666,666 Ordinary Shares being subscribed for under the terms of the Placing Agreement
“Subsidiary”	as defined in Section 220 of the Act
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity of competent authority for the purposes of Part VI FSMA
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which by virtue of the CREST Regulations, may be transferred by means of CREST
“USA” or “US”	United States of America
“VCT”	a Venture Capital Trust for the purposes of Part 6, Chapter 1-6 of the UK Income Tax Act 2007 and a company approved by HMRC and which subscribes for shares in, or lends money to, unquoted (including AIM listed) companies

TECHNICAL DEFINITIONS AND MEANINGS

“ACIST”	Alternating Current Impedance Spectroscopy Technique, being the method of applying electrical signals of different frequencies to a structure or system and measuring the response signal. Analysis of the difference between the applied signal and the response signal can be interpreted to identify characteristics of that structure or system
“Bitewing X-ray”	a specific type of dental X-ray (radiograph) designed to identify dental decay (caries) in the contacting surfaces usually of molars and premolar teeth, which are not normally accessible to visual inspection
“caries” or “dental decay”	the disease process in which hard parts of the teeth (enamel and dentine) are initially dissolved by acids produced by the bacteria in plaque on the tooth surface
“CE Certification”	the grant of approval for the use of CE Marking on a product
“CE Marking”	a mark confirming that a product has been designed and manufactured in conformity with the essential requirements of all relevant directives and submitted to the relevant conformity assessment procedure
“FDA”	the US Food and Drug Administration
“Technology”	the application of ACIST to identify and measure the characteristics of a given structure or system

DIRECTORS, ADVISERS AND CONTACT DETAILS

Directors:	James Julian Noble (<i>Non-Executive Chairman</i>) Graham Robert Lay (<i>Chief Executive Officer</i>) Oliver Charles Cooke (<i>Chief Financial Officer</i>) James Nicholas Cunningham-Davis (<i>Non-Executive Director</i>) Pritesh Ramesh Desai (<i>Non-Executive Director</i>) Christina Lillian Rawlinson (<i>Non-Executive Director</i>)
Secretary:	James Cunningham-Davis
All of:	
Business Address and Registered Office:	34 North Quay Douglas Isle of Man IM1 4LB
Nominated Adviser & Broker:	finnCap Ltd 4 Coleman Street London EC2R 5TA
Reporting Accountants and Auditors:	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh, EH1 2DB
English Legal Advisers to the Company:	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH
Legal Advisers to finnCap:	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
Isle of Man Legal Advisers to the Company	Appleby 33 Athol Street Douglas Isle of Man IM1 1LB
Registered Agent and Administrator	Cavendish Trust Company Limited 31-37 North Quay Douglas Isle of Man IM1 4LB
Registrar and CREST Service Provider:	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier Jersey
Company Website:	www.3ddiagnosticimaging.com

PART I
LETTER FROM THE CHAIRMAN

3D Diagnostic Imaging plc

*(A company incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006
with registered number 002845V)*

Directors

James Noble *Non-Executive Chairman*
Graham Lay *Chief Executive Officer*
Oliver Cooke *Chief Financial Officer*
James Cunningham-Davis *Non-Executive Director*
Pritesh Desai *Non-Executive Director*
Christina Rawlinson *Non-Executive Director*

Registered Office

34 North Quay
Douglas
Isle of Man
IM1 4LB

26 October 2010

To Shareholders and for information only to holders of options over Ordinary Shares

Dear Shareholder

**Proposals for
Cancellation of trading on PLUS
Placing of 45,248,318 Ordinary Shares at 6p per Ordinary Share
Admission to trading on AIM
and
Notice of Extraordinary General Meeting**

1. Introduction

The Company has today announced that it has conditionally raised £2.71 million (before expenses) by way of a placing of 45,248,318 Placing Shares at 6 pence per share, intends to seek the cancellation of the Existing Ordinary Shares from trading on PLUS-quoted and apply for the admission of the Enlarged Share Capital to trading on AIM. The Proposals are conditional, *inter alia*, on the passing of the Resolution and on Admission. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM on 22 November 2010.

The purpose of this document is to set out the background to and the reason for the Proposals, to seek Shareholders' consent to the Proposals at the EGM and to explain why the Directors consider them to be in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolution.

The Placing Shares include the Initial Placing Shares which have been placed with an investor at the Placing Price prior to the EGM and Admission. These Ordinary Shares have been allotted and will be admitted to trading on PLUS-quoted on 29 October 2010.

3D Diagnostic was established in June 2008 and is an Isle of Man based company which owns the exclusive rights (IP protected) to a technology platform enabling measurement in a number of applications which had previously been developed by two leading Scottish universities. To date, one application of the Technology, addressing the dentistry market, has been developed to commercialisation by 3D Diagnostic Dundee based, wholly-owned operating subsidiary, CarieScan.

The first commercial product based on the Technology is an easy to use, highly accurate hand-held device for the early detection and monitoring of tooth decay (caries). The Directors believe it to be significantly better than any other product intended for the same purpose that is available on the market today. Dental caries are one of the most common diseases in the world. The product, known as the CarieScan PRO™ (the "PRO"), has now been fully developed, tested, and licensed for sale in Europe

(CE mark), Canada (Institute of Health) and most importantly from a commercial perspective, in the USA (FDA 510(k)). The PRO, which comprises a technology-rich handset and single patient use disposable sensors, is currently manufactured in Scotland.

In July 2010, the Company announced that CarieScan had signed and entered into an exclusive agreement with Patterson Dental Holdings Inc (“Patterson”), for the distribution of the PRO product in the USA.

Patterson is one of the largest distributors of dental equipment in North America with revenues in its 2009 financial year in excess of \$2.1 billion. The USA is considered by the Directors to be one of the world’s largest homogenous dental markets and is served by over 140,000 dentists.

In August 2010 CarieScan shipped its first consignment of the PRO product to Patterson in the USA. Later in August the Company announced that CarieScan had signed an exclusive agreement for the distribution of the PRO product in Canada.

Summaries of the distribution agreements referred to above are contained in paragraphs 9.2.7 and 9.2.9 respectively at Part IV of this document.

2. The Technology, Product, Production and its Application

The PRO’s technology is based on ACIST and the handheld device resembles a typical electric toothbrush. The device is fitted with a disposable sensor, which is the only part of the device that is intended to be inserted inside the patient’s mouth. To maintain an appropriate level of medical hygiene, the device is cleaned and a new sensor is fitted for each patient. As such, the sales proposition is similar in nature to a razor and razor blades, with each new PRO user potentially contributing to the future demand for sensors.

The sensor is held against a tooth for a few seconds and the resultant reading is displayed on a small screen on the device. During the process, a tiny electrical current, which is too low to be felt by the patient, is passed through the patient’s tooth. Because tooth enamel is such a highly ordered structure, a healthy tooth impedes electrical current considerably. However, as a tooth begins to decay beneath the surface, larger pores are formed within it and the electrical current passes through more easily. It is this change that is detected and displayed on the PRO, enabling the dental practitioner to make early treatment decisions.

Early detection allows for remedial treatment, such as improved oral hygiene practices and the use of fluoride mouthwashes, to be applied to reverse the early stage decay before it progresses to a stage where it is required to be drilled out and the tooth filled. The Group is currently developing the software to enable readings from a patient’s teeth to be recorded and monitored during subsequent dental inspections to determine if the condition of the tooth is improving or deteriorating.

Both the PRO unit and the disposable sensors are currently manufactured in Scotland using tooling owned by CarieScan. The Directors believe that there is sufficient existing manufacturing capacity at the plant to meet the anticipated short term demand for both PROs and for sensors, but that further investment in additional production capacity including tooling will be required to meet increased demand in the future. They also believe that additional investment will be required to engineer down the cost of manufacturing sensors and to render them suitable for mass production in a low cost manufacturing environment in the future. It is currently anticipated that both the handsets and the sensors will continue to be manufactured in the UK.

The Technology is protected by a series of patents which are owned by the Company.

3. Strategy for Growth

The Company’s main focus is on the dental marketplace, which is the only market for which a commercial product based on the Technology has currently been developed. Within the dentistry market, the Company’s primary focus is on achieving wide-scale adoption of the PRO by dental practitioners in the USA and in Canada, as the Directors believe that even relatively modest market

penetration in these territories has the potential to generate significant profits for the Company. The Directors also believe that growth in the adoption of the PRO by dental practitioners would in turn lead to a growing demand for the subsequent supply of the single use, disposable sensors.

In November 2009 the Company received the 510(k) clearance from the Food & Drug Administration (“FDA”) that was essential to enable the PRO to be lawfully sold in the USA.

The Directors consider that the most effective way of achieving wide-scale adoption of the PRO by dental practitioners in North America is by entering into distribution agreements with suitably qualified local partners, which they believe the Company has now done as a result of the distribution agreements entered into with Patterson. The Company is establishing a formal presence in the USA, to support the relationship with Patterson, through its formation of CarieScan LLC, a Delaware company, which is a wholly owned subsidiary of CarieScan. Further details of CarieScan LLC are set out in paragraph 2.3 of Part IV of this document.

Discussions with potential distribution partners for other major dental market territories, such as those in Europe, are ongoing.

The Company’s ultimate objective is to develop, market and commercialise a series of products based on the Technology with a range of different applications, such as the early detection of osteoporosis, or of malignant melanomas, the state of health monitoring of battery systems for electric vehicles or early detection of corrosion within building materials. Given the specialist nature of each of these potential vertical markets and the need at all times to maintain a tight commercial focus in respect of each, it is currently thought probable that each vertical market sector would be addressed by a separate subsidiary company.

4. The Market and Competition

In dentistry, the Directors believe that there is a general trend towards the early diagnosis and treatment of caries and away from the historic “drill and fill” restorative approach. The Directors also believe that in time, dentists will come to be measured by the absence of fillings amongst their patients rather than by the level of restorative work that they undertake. To succeed in this measure, dentists would need access to highly effective, early stage, diagnostic tools such as the PRO.

The dentistry market in the USA is currently serviced by over 140,000 dentists, many of whom are already supplied by Patterson. Some years ago Patterson was responsible for the distribution of a comparably priced, but technically inferior, rival product, the DIAGNOdent (see below for further details), which, the Directors believe, achieved total sales in the USA in excess of 40,000 units.

As a part of its commercial arrangements with Patterson, the Company has allowed for a discount to be given to any former DIAGNOdent user who now upgrades to using a PRO. In the event of a sale to a dentist who had not previously been a DIAGNOdent user, a sum equivalent to the discount would be retained by Patterson in addition to its normal distribution margin. Patterson thus has both the knowledge and a strong commercial incentive to promote the distribution of the PRO.

5. Competing Products

The Directors consider that the closest competing product to the PRO is the DIAGNOdent referred to above, which was developed by KaVo Inc.

The DIAGNOdent is an optical device based on a simple diode laser that is only capable of measuring the biting surfaces of a tooth and of providing two read outs on its LED display. Optical technology of this sort can be confused by staining on the teeth, whereas the Technology cannot. Despite this limitation on its efficiency, the DIAGNOdent has been available for a number of years and has, the Directors believe, achieved meaningful levels of international sales. Perhaps most beneficially, from the Company’s perspective, this competing product has alerted dentists to the existence and benefits of modern diagnostic technology.

The Directors are confident that the PRO is a significantly more accurate and cost effective device than the DIAGNOdent.

Traditionally, dentists have made use of Bitewing X-rays to support the visual inspection of a patient's teeth. Research has shown that this is a markedly less accurate technology, costs more to deploy and has the distinct disadvantage of exposing both patients and to a lesser degree dentistry staff to harmful radiation.

The Directors consider that the 510(k) clearance requirement provides a substantial barrier to entry into the US market for unapproved products.

6. Reasons for the Placing and Admission

In the period July to September 2010, the Company received a total of £745,000 (before expenses) of new funding through the issue of the Loan Notes principally to Evolve, Scottish Enterprise and to the Company's management. On Admission, the Loan Notes will automatically convert, under their terms, into a total of 16,555,555 new Ordinary Shares at the Conversion Price, which will rank *pari passu* with the Existing Ordinary Shares and the Placing Shares. The Conversion Price of 4.5p is a discount of 25 per cent. to the Placing Price. Further details of the Loan Note Instrument are set out in paragraph 9.1.3 of Part IV of this document.

The Company will use the proceeds of the Loan Notes to fund its working capital requirements, to enable it to begin the process of establishing a sales support operation in the USA (through the establishment of CarieScan LLC) and to satisfy the initial orders for PRO units that it has received from Patterson.

The net proceeds of the Placing will allow the Company to finance its immediate planned future growth. CarieScan also needs to expand, in a strictly controlled manner, its operations in Dundee and to invest both in additional tooling to increase its manufacturing capacity and in the process of designing down the cost of manufacturing sensors.

The Directors believe that the issue of the Loan Notes and the Placing was and are respectively the most appropriate method of securing funds and also believe that Admission will also offer the Company the following benefits:

- enabling the Company to access additional equity capital in the future for the further development of the Group's business more effectively than if it were to remain a PLUS-quoted company;
- enabling the Company to more easily recruit, incentivise and therefore retain key personnel;
- providing greater liquidity for investors to buy and sell Ordinary Shares; and
- the enhanced status of being an AIM company could benefit the Company by increasing the Group's profile with both customers and suppliers, improving the Group's brand and market recognition.

7. Current Trading and Prospects

Prior to CarieScan signing the distribution agreements with Patterson, the Company had no material revenues and was as a consequence loss making. In the consolidated audited accounts for the year to 30 June 2010 the Company reported a pre-tax loss of £1.23 million. At that date it had net assets of £0.15 million, which are shown in Part III of this document. The figures in the corresponding period in 2009 were £1.12 million and £0.58 million respectively.

The Directors believe that there is a substantial potential market for the PRO not only in the USA but also in Canada, Europe and in the rest of the world. They also believe that the wide-spread adoption of the PRO by dental practitioners will result in the sale of high volumes of the single use, disposable sensors and therefore materially increased revenues for the Company and a materially improved financial position for the Company.

The Directors also believe that there are a number of additional applications for the Technology for which commercial products can potentially be developed. At present there are no immediate plans to develop these applications until the PRO has achieved a significant level of sales. The Directors believe that the introduction and sale of such products would significantly add to the Group's future profitability.

Save as disclosed in Part II of this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

8. Directors and their Roles

James Noble – aged 51 – Non Executive Chairman

Mr Noble has extensive experience in the biotech industry and is currently chief executive officer of Immunocore Limited and Adaptimmune Limited, two companies involved in T cell receptor technology. He is also deputy chairman of GW Pharmaceuticals PLC (which is AIM listed) and chairman of Astaire Group PLC. He has formerly been on the boards of a number of listed companies as a non-executive director, including Powderject Pharmaceuticals PLC (formerly listed on the Official List in London), Oxford GlycoSciences PLC (also formerly listed in the Official List in London and on NASDAQ), Curagen Corporation (now Celldex Therapeutics) (NASDAQ-listed), Finsbury Worldwide Pharmaceutical Trust PLC (London listed), Advanced Medical Solutions PLC (AIM listed) and MediGene Ag (Frankfurt listed). He has also served as a non-executive director of a large number of private biotechnology companies, including companies in the UK, Germany and the USA. Mr Noble was the Chief Financial Officer of British Biotech PLC from 1990 to 1997, and was involved in raising over £300 million and taking the company public on NASDAQ and the Official List. Prior to that, he was a director at Kleinwort Benson Limited after qualifying as an accountant at Price Waterhouse in 1983. He graduated from Oxford University in 1980.

Graham Lay – aged 61 – Chief Executive Officer

Mr Lay was previously general manager for Nexan Inc, a developer and manufacturer of telemetry-based remote cardiac monitors. Mr Lay's previous roles include serving as a worldwide Vice President of R&D at Johnson and Johnson Medical, responsible for development groups within both the US and Europe. This included responsibility for the development and introduction of a new range of blood pressure monitors that remain world leaders in their class today. His roles within Johnson and Johnson included European responsibility for regulatory, clinical and technical matters for the CRITIKON (Johnson and Johnson) Franchise.

Graham also has experience in brand management and was an integral part whilst at Johnson and Johnson of new product development and sourcing both within Europe and the rest of the world. His experience includes timely project planning and completion, worldwide quality systems, and manufacturing cost optimisation activities.

Oliver Cooke – aged 55 – Chief Financial Officer

Mr Cooke is a chartered accountant and has over 30 years of financial and business development experience gained in a range of quoted and private companies. Mr Cooke also holds the post of executive chairman of St Helens Capital Partners LLP, a corporate finance boutique and the largest PLUS Market corporate adviser by number of clients.

Oliver has worked with the Company for a number of years in an advisory capacity and joined the Board in July 2010.

James Cunningham-Davis – aged 43 – Non-Executive Director

Mr Cunningham-Davis is a solicitor of England and Wales, an Isle of Man Registered Legal Practitioner and a solicitor in the Republic of Ireland. He is a Fellow of the Securities Institute and a Member of the Compliance Institute. He is also a founding shareholder and director of Cavendish Trust Company Limited which is licensed by the Isle of Man Financial Supervision Commission as a Corporate and Trust service provider. James has been both a director and company secretary of a number of companies which have been successfully floated on both AIM and PLUS Market.

Pritesh Desai – aged 42 – Non-Executive Director

Mr Desai graduated in economics from the University of East Anglia and is a Fellow of the Association of Chartered Certified Accountants. He is a founding shareholder and director of Cavendish Trust Company Limited which is licensed by the Isle of Man Financial Supervision Commission as a Corporate and Trust service provider. He is also the founder and managing director of Blue Sea International Limited, which is involved with the structuring, management and administration of collective investment schemes. Pritesh is a non-executive director of Galleon Holdings PLC.

Christina Rawlinson (née Comber) – aged 40 – Non-Executive Director

Mrs Rawlinson is a Fellow of the Association of Chartered Certified Accountants and a member of the Compliance Institute. Christina is a senior employee with Cavendish Trust Company Limited which is licensed by the Isle of Man Financial Supervision Commission as a Corporate and Trust Service Provider. Christina was a director of Pactolus Hungarian Property plc prior to its flotation and retained her position as a director after the company's successful admission to AIM. She has extensive experience in business strategy, development and marketing.

9. Loan Note Instrument and Directors' Interests

The Directors have interests in Ordinary Shares both through subscriptions and under the Loan Note Instrument. In aggregate they have subscribed for approximately £110,000 of the Placing Shares at the Placing Price and for £155,000 of the Loan Notes, which convert into 3,444,443 Conversion Shares, as shown below.

	<i>At the date of this document</i>			<i>Upon Admission</i>		<i>% of the Enlarged Share Capital</i>
	<i>Existing Ordinary Shares</i>	<i>% of the issued share capital</i>	<i>Conversion Shares issued</i>	<i>Placing Shares issued</i>	<i>Ordinary Shares</i>	
James Noble	6,244,872	5.8%	2,222,222	1,666,666	10,133,760	5.9
Graham Lay	5,596,629	5.2%	333,333	166,666	6,096,628	3.6
Oliver Cooke	—	—	—	—	—	—
James Cunningham-Davis	125,000	0.1%	444,444	—	569,444	0.3
Pritesh Desai	125,000	0.1%	444,444	—	569,444	0.3
Christina Rawlinson	—	—	—	—	—	—
Total	<u>12,091,501</u>	<u>11.2%</u>	<u>3,444,443</u>	<u>1,833,332</u>	<u>17,369,276</u>	<u>10.1%</u>

Further details of the Directors' interests in Ordinary Shares are set out in paragraphs 4.1, 4.3 and 6.1 of Part IV of this document.

10. Details of the Placing

Under the terms of the Placing Agreement (details of which are set out in paragraph 9.1.1 of Part IV), finnCap has agreed to use all reasonable endeavours to procure places for and has conditionally placed, as placing agent to the Company, 45,248,318 Ordinary Shares (representing 26.5 per cent. of the Enlarged Share Capital) at the Placing Price to raise £2.71 million (gross) and approximately £2.32 million (net of expenses) for the benefit of the Company.

Other than in respect of the Initial Placing Shares, the Placing is conditional, *inter alia*, upon Admission taking place by 8.00 a.m. on 22 November 2010 (or such later time and date, being not later than 8.00 a.m. on 30 November 2010, as the Company and finnCap may agree) and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

The Placing Agreement contains provisions entitling finnCap to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, save for the Initial Placing Shares, the Placing will lapse, will not occur and the Placing Shares will not be issued.

The Placing Shares, when issued and fully paid, will rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission.

Allotment of the Placing Shares will become wholly unconditional on Admission, and it is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 22 November 2010.

The Placing (save for the Initial Placing Shares) is also conditional upon the passing of the Resolution. Accordingly, the Company has convened the Extraordinary General Meeting, notice of which is set out at the end of this document.

11. Lock-in and Orderly Market Arrangements

Scottish Enterprise and Evolve have each undertaken to finnCap and to the Company neither to sell, nor to dispose of, any interests in any of their Ordinary Shares within 12 months of Admission (subject to certain limited exceptions). Scottish Enterprise and Evolve have also agreed that for a further period of 12 months they shall neither sell, nor dispose of, any interests in any of their Ordinary Shares, other than with the prior written consent of finnCap, such consent not to be unreasonably withheld or delayed and then only through a broker nominated or approved by finnCap.

Each of the Directors has separately undertaken to finnCap and to the Company that he or she and persons connected with them shall neither sell, or dispose of, any interests in any of their Ordinary Shares within 12 months of Admission (subject to certain limited exceptions) and shall neither sell, or dispose of, any interests in any of their Ordinary Shares during a further period of 12 months other than with the prior written consent of finnCap, such consent not to be unreasonably withheld or delayed and then only through the Company's broker from time to time.

Further details of these arrangements are set out in paragraph 9.1.2 of Part IV of this document.

12. EIS and VCT

HM Revenue & Customs has given provisional approval that relevant investments in Placing Shares would qualify for relief under VCT and EIS legislation. No guarantee is given that the activities of the Group will be such as to retain any qualifying status for VCT and EIS purposes. Any person who is in doubt as to their tax position should consult their professional taxation adviser. Information regarding taxation is set out in paragraph 12.3.9 of Part IV of this document. This information is intended only as a general guide to the current taxation position under UK taxation law.

13. Dividend Policy

The Company has not paid and has not been in a position to pay any dividends since its incorporation. The objective of the Directors is to achieve capital growth for Shareholders through the creation of a large and highly profitable business. Consequently they do not anticipate that the Company will pay dividends to Shareholders in the short to medium term.

The Directors will keep this position under review and would intend at an appropriate stage in the future to pay a proportion of the Company's profits in each year to Shareholders by way of a dividend. Pursuant to the Act, a dividend may only be paid if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after the dividend, satisfy the solvency test referred to in section 49 of the Act.

14. Share Option Schemes

The Company has in existence the EMI Share Option Scheme, further details of the terms of which and grants made thereunder are set out in paragraph 4.1 of Part IV of this document.

The Company has also adopted the Share Option Scheme to assist in the recruitment, retention and motivation of key staff within the Group and also to align their interests with those of the Company's shareholders. The scheme will allow the Company to grant share options to Directors and employees up to a maximum aggregate amount representing 15 per cent. of the Company's issued share capital from time to time. The basis of any allocation and any condition attaching to these options will be determined by the remuneration committee (details of which are set out in paragraph 15 below). Further details of the Share Option Scheme can be found in paragraph 4.2 of Part IV of this document. Conditional on Admission, the Company has granted share options over in aggregate, 14,490,359 Ordinary Shares to certain Directors, further details of which grants are summarised in paragraph 4.3 of Part IV of this document.

15. Corporate Governance

The Directors are committed to maintaining high standards of corporate governance, and propose, so far as is practicable given the Company's size and nature, to comply with the UK Corporate Governance Code issued by the Financial Reporting Council, to the extent appropriate to the size of the Company.

The Company has established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The audit committee members are Mr Noble and Mrs Rawlinson and the remuneration committee members are Mr Noble, Mr Cunningham-Davis, Mr Desai and Mrs Rawlinson.

The audit committee will determine the terms of engagement of the Company's auditors and will determine, in consultation with the auditors, the scope of the audit. The committee will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The members of the audit committee will have unrestricted access to the Company's auditors.

The remuneration committee will review the scale and structure of the executive directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors will be set by the entire Board.

In accordance with Rule 21 of the AIM Rules the Company has adopted a share dealing code for the Directors and senior employees and will take steps to ensure compliance by the Directors and any relevant employees with the terms of this code.

The Directors intend that the Board will meet formally at least once in every quarter.

16. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by written instrument in accordance with the CREST Regulations.

The Ordinary Shares have already been admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain certificates in respect of their Ordinary Shares will be able to do so. The ISIN in respect of the Ordinary Shares is currently and at Admission will be IM00B3VVCM89.

17. Admission and Settlement

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM, comprising 108,004,285 existing issued Ordinary Shares, 45,248,318 Placing Shares, 16,555,555 Conversion Shares and 666,666 Subscription Shares. Admission of the Enlarged Share Capital to trading on AIM is expected to take place at 8.00 a.m. on 22 November 2010.

The last day for dealings in the Ordinary Shares on PLUS Markets is expected to be 19 November 2010.

18. Risk Factors

Your attention is drawn to the Risk Factors set out in Part II and to the information contained in Parts I to IV (inclusive) of this document.

19. Extraordinary General Meeting

Set out at the end of this document is a notice commencing the EGM to be held at the offices of the Company, 34 North Quay, Douglas, Isle of Man, IM1 4LB at 10.00 a.m. on 19 November 2010 for the purpose of considering and, if thought fit, passing the following resolution:

- (A) to authorise the allotment allot and issue of the Placing Shares (other than the Initial Placing Shares); and
- (B) to approve the proposed cancellation of all of the Ordinary Shares from PLUS-quoted.

The Directors are currently authorised to allot and issue Ordinary Shares (and rights to subscribe therefor) up to an aggregate nominal value of £12,432.79 after the allotment and issue of the Conversion Shares, Subscription Shares, and the Initial Placing Shares pursuant to a resolution of the Company dated 28 May 2010. This authority shall expire at the conclusion of the next annual general meeting of the Company. The authority to be conferred under the Resolution relates specifically to the allotment and issue of the Placing Shares, and does not affect, and is not affected by, the subsisting share allotment authority.

To be passed, the Resolution will require a majority in favour of not less than 75 per cent. of the Shareholders' votes in person or by proxy.

20. Action to be taken

You will find enclosed with this document a Form of Proxy for use in connection with the EGM. Whether or not you intend to be present at the EGM, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Share Registrars Limited, Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, as soon as possible but in any event not later than 10.00 a.m. on 17 November 2010. CREST members wishing to appoint a proxy or proxies in CREST may do so in accordance with the procedures set out in the notice of EGM at the Form of Proxy. Completion of the Form of Proxy will not preclude you from attending and voting at the EGM should you so wish.

21. Recommendation

The Directors unanimously consider that the Proposals are in the best interests of the Company, the terms of the Placing are fair and reasonable insofar as Shareholders are concerned and unanimously recommend that you vote in favour of the Resolution as they intend to do or procure to be done in respect of their own beneficial holdings of 12,091,501 Ordinary Shares, representing approximately 11.2 per cent. of the Ordinary Shares in issue at the date of this document.

Each of Evolve and Scottish Enterprise has irrevocably undertaken to vote in favour of the Resolution in respect of their entire shareholdings of 44,529,911 and 31,613,393 Existing Ordinary Shares respectively, equivalent, in aggregate, to 70.5 per cent. of the Existing Ordinary Shares.

Yours sincerely,

James Noble (*Chairman*)

PART II

RISK FACTORS

An investment in the Company and the Ordinary Shares described in this document is speculative, involves a high degree of risk and may result in the loss of all or part of the investment. Shareholders and prospective investors should consider in particular the following risk factors before making a decision to invest in the Company and understand that these risks, individually or in aggregate if they actually occur, could have a material adverse effect on the Company, the 3D Diagnostic Group, its business, financial conditions, capital resources, results or future operations and/or holders of its securities. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Moreover, the information set out below does not purport to be an exhaustive summary of the risks associated with an investment in the Company. Additional risks and uncertainties of which the Directors are not currently aware, or which the Directors do not currently consider to be material, may also have an adverse effect on the 3D Diagnostic Group. These risks could arise as a result of changes in the market, economic conditions and/or in legal, regulatory or tax requirements or other unforeseen circumstances or factors.

If you are in any doubt about the action you should take, you should consult a personal adviser authorised under FSMA who specialises in the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his, her or its personal circumstances and the financial resources available to him, her or it.

In particular, prospective investors should consider the following:

i) Company and industry specific risks

Prospects

3D Diagnostic prospects will depend on numerous factors, including its ability to penetrate and develop its target markets. The Company cannot predict accurately the timing and amount of the Group's capital requirements. If its capital requirements vary materially from its plans, 3D Diagnostic may require further financing sooner than anticipated. Market conditions may prevent additional funds from being raised which could restrict the development of the Company.

The value of an investment in the Company is dependent upon 3D Diagnostic achieving its strategic aims. Whilst the Directors are optimistic about the prospects for 3D Diagnostic, there is no certainty that the business will be capable of achieving the anticipated revenues or growth.

Future profitability is not guaranteed. There is no guarantee that the business or operating strategies of 3D Diagnostic will achieve profitability or that it will generate sufficient revenues to cover its costs. 3D Diagnostic is an early stage company with a new technology.

Competition

The Company operates in a competitive environment, with potentially intense competition in the future from other technologies. Many of the 3D Diagnostic current and potential competitors have established sales teams, distribution partners and greater brand recognition, as well as significantly greater financial and other resources than 3D Diagnostic does. As a result, these competitors may be able to undertake more extensive sales and marketing campaigns offering their products, adopt more competitive pricing policies and make more attractive offers to potential employees, strategic partners and customers than 3D Diagnostic can. In addition, these competitors and potential competitors may develop technologies that are superior to 3D Diagnostic, or that achieve greater market acceptance or cost savings than its own. If the Company does not successfully compete with these competitors, it might experience a loss of market share, reduced revenues and/or then profitability.

Lack of operating history

The Company has principally been focussed on developing the PRO product with a view to its commercialisation and has until recently not earned any revenue from sales of the PRO or otherwise. The Company is likely to remain cash flow negative for some time after Admission. Whilst the Directors have confidence in the Company's future earning potential, there can be no assurance that the Company will achieve or sustain profitability or positive cash flow from its sales of the PRO products and/or others.

Market acceptance and future funding

Whilst the Directors believe that there exists a viable and addressable market for the Company's PRO product and other future products of the Company, there can be no assurance that these will prove to be attractive alternatives to competing products now or in the future (see ***Competition*** above). If a viable market for the Company's products cannot be penetrated as envisaged by the Company's business strategy, the Company may need to commit greater resources than are currently available to it in further developing its products to commercialisation. There can be no assurance that the PRO product will generate substantial sales in the future under the Patterson arrangements or otherwise.

The Company's ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond the Company's control. There can be no assurance that, if and when required, sufficient funds will be available to the Company on satisfactory terms. If required funds are not available then the Company may have to reduce its planned expenditure on research and development, production and/or marketing activities which may have a material adverse effect on the Company's business, financial condition and prospects.

Product

The Company's main product is the PRO. The product has undergone extensive technical assessment and testing but, as is the case with any new and newly commercialised technology, there are risks associated with the long term operational durability and life of the product.

Manufacturing

The Company's current and proposed products must be manufactured in commercial quantities and in compliance with applicable regulatory standards and at an appropriate cost. The Company is currently dependent on the capability of one manufacturer. The Directors consider that the Company enjoys a good and effective relationship with this manufacturer, but the Company's business would be disrupted if that manufacturer were to cease manufacturing the Company's product.

Reliance on third parties

The development and/or manufacture and/or commercialisation of the Company's product are reliant on the performance of third parties whose performance is not assured. If such non-performance were to arise then the Company would be obliged to make alternative arrangements to minimise disruption to its business and such arrangements may not be able to be put in place to avoid a serious disruption to its business. The Company's success in penetrating new markets may depend significantly on its ability to identify and establish strategic alliances with businesses which have experience in developing and marketing products to the markets identified by the Company.

Reliance on major customer

CarieScan has entered into distribution agreements with Patterson as summarised in paragraphs 9.2.7 and 9.2.9 of Part IV of this document. If either or both of these agreements were to cease and not be replaced then this would have a material adverse effect on the business and financial position of the Company.

Regulation

There may be a change in applicable policies or regulation which relate to the PRO and/or other proposed products of the Company, which could have a material adverse effect on the Company's activities, business, financial position and/or prospects.

Litigious environment

The medical market, particularly in North America, is litigious and if challenged, the Company may find it financially difficult to defend its intellectual property and patent position.

Technological changes

3D Diagnostic relies heavily on its own current developed technology being superior to the comparable products in the marketplace today. If this were to prove to be incorrect or if new technology were to be developed and commercially launched that caused 3D Diagnostic ACIST based handheld device to cease to be a superior product, then 3D Diagnostic business could be materially adversely impacted.

Damage to brand or reputation

3D Diagnostic is building a brand and reputation which assists in the ability to generate leads and the sale of its products and services. There is a risk of potential damage to the brand or to 3D Diagnostic reputation, as a result of the actions of competitors, clients, consumer groups or governmental authorities who may assert claims (whether or not meritorious) about 3D Diagnostic, its products, its sales channels or its methods of lead generation.

Key personnel

The Company's success depends to a significant extent on the continued services of its core senior management team and being able to attract and retain new senior personnel. 3D Diagnostic business may be disrupted, additional cost may be incurred or the future of 3D Diagnostic may be jeopardised by a loss of or failure to retain sufficient numbers and quality of senior personnel.

Growth in the business

The Company is projecting considerable future growth in its business. To achieve this growth in an efficient and timely manner, 3D Diagnostic will have to maintain close co-ordination among the sales, support, marketing and development departments of its wholly owned Subsidiary, CarieScan, and maintain adequate control systems. 3D Diagnostic is also considering expansion into new markets and territories.

If the Company cannot manage successfully its anticipated future growth or market developments or operating environment, its costs may increase, its growth could be impaired and it may not accurately anticipate and fulfil market demand for its products. This could result in a loss of revenues and profits.

Intellectual property

Other parties may copy without authorisation the Company's intellectual property. Due to the Company's size and resources, it may not be able effectively to detect and prevent any infringement of its intellectual property rights. In any event, the Company's intellectual property rights may not provide meaningful commercial protection of its products.

The Company may need to initiate legal proceedings to protect or enforce its patents or other intellectual property rights. **Also see "Litigious Environment" above.**

The City Code on Takeovers and Mergers

The Company is a company which is subject to the provisions of the City Code on Takeovers and Mergers (the "City Code") and accordingly the jurisdiction of the Panel on Takeovers and Mergers (the "Panel"). This arises by virtue of the fact that the Company has its central place of management in the UK. The Directors currently have no intention of moving the central place of management outside the UK nor do they currently foresee that arising and the Company not being subject to the provisions of the City Code. However, were such a situation to occur, then Shareholders would not be subject to the numerous protections currently afforded to them as a result of the current regulatory regime which applies to the Company. The Articles do not contain any provisions which replicate certain provisions contained in the City Code and which would provide Shareholders with certain protections similar to those to which they currently enjoy, if the City Code were to cease to apply to the Company.

ii) General risks

The activities of 3D Diagnostic are also subject to current and future commercial risks and factors such as economic, political or social conditions which may generally affect the Group's ability to generate income or achieve its objectives or may prevent the implementation of its business or strategic plans.

Trading and liquidity in the Ordinary Shares and AIM

An investment in the Ordinary Shares is highly speculative and subject to a high degree of risk. The price of publicly quoted securities can be volatile and is dependent upon a number of factors, some of which are general market or sector specific and others that are specific to 3D Diagnostic. Only those who can bear the risk of the loss of their entire investment should invest.

Application has been made for the Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The Ordinary Shares will not be quoted on the Official List. The AIM Rules are less demanding than those of the Official List. Investments in shares admitted to AIM carry a higher degree of risk than investments in shares quoted on the Official List.

Notwithstanding the fact that an application has been made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a “liquid” market in the Ordinary Shares particularly as, on Admission, the Company will have a limited number of Shareholders. An investment in the Ordinary Shares may therefore be difficult to realise. In addition, the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to 3D Diagnostic and its operations and some which may affect quoted companies generally.

Force majeure

3D Diagnostic operations now or in the future may be adversely affected by risks outside the control or anticipation of 3D Diagnostic including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

General economic conditions

Market conditions may affect the ultimate value of the Company’s share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy.

Insurance risk

3D Diagnostic has indemnity insurance to protect its assets and employees. However, the insurance coverage may prove difficult to renew or inadequate to satisfy potential claims and losses. Further, 3D Diagnostic may become subject to liabilities that cannot be insured against or against which it may elect not to be insured fully or at all because of high premium costs.

Taxation risk

Any change in 3D Diagnostic or any member of 3D Diagnostic 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 3D Diagnostic, affect the Company’s ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of 3D Diagnostic and its investors are based upon current tax law and practice which is subject to change.

The Isle of Man has a more favourable tax regime than the UK. Were circumstances to change and this favourable status to be thereby undermined, retained profitability of the Company might be adversely impacted.

Credit risk

The collectability of the Group’s invoices is subject to the credit risks of its clients. As the clients of the Group in the medium to long term are likely to be spread across many countries, difficulties may arise in the collection of such debts in the event of a default by a client.

Legal systems and change of legislation

There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others whether in North America or elsewhere and the effectiveness of and enforcement of such arrangement in these jurisdictions cannot be assured.

Economic and political risks

There are a number of economic and political risks over which 3D Diagnostic has little control. Whilst 3D Diagnostic will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that 3D Diagnostic activities may be adversely impacted by economic and political factors such as the imposition of additional taxes and charges or costs or expenses, cancellation or suspension of licences, expropriation, war, terrorism, insurrection and changes to laws.

PART III
FINANCIAL INFORMATION

Section A



Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

The Board of Directors
on behalf of 3D Diagnostic Imaging plc
34 North Quay
Douglas
Isle of Man
IM1 4LB

finnCap Limited
4 Coleman Street
London
EC2R 5TA

26 October 2010

Dear Sirs

3D Diagnostic Imaging plc

We report on the financial information set out in Part III Section B of the AIM admission document dated 26 October 2010 of 3D Diagnostic Imaging plc (the “Company” and, together with its subsidiary company, the “Group”) (the “Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the financial information and in accordance with IFRS as adopted by the EU.

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

Save for any responsibility arising under paragraph (a) of Schedule Two to 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 accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

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

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated in Part B and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte LLP

Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Section B

3D Diagnostic Imaging plc Historical Financial Information relating to the Group prepared under IFRS

Group Income Statement

For the year ended 30 June 2010

	<i>Note</i>	<i>2010</i> <i>£</i>	<i>13 months</i> <i>ended 30 June</i> <i>2009</i> <i>£</i>
Revenue	4	2,838	5,871
Cost of sales		(2,624)	(1,062)
Gross profit		214	4,809
Administrative expenses		(1,233,146)	(1,124,409)
Operating loss	4, 5	(1,232,932)	(1,119,600)
Finance income (net)	6	263	210
Loss before taxation		(1,232,669)	(1,119,390)
Taxation	8	—	—
Loss for the financial year/period		(1,232,669)	(1,119,390)
Attributable to:			
Equity holders of the parent		(1,232,669)	(1,119,390)
Earnings per share	9		
Basic		(1.18p)	(3.08p)
Diluted		(1.18p)	(3.08p)

Revenue and operating loss are all derived from continuing operations.

There is no difference between the results stated above and their historical cost equivalents.

The accompanying notes are an integral part of the historical financial information.

Group Statement of Comprehensive Income

For the year ended 30 June 2010

	<i>2010</i>	<i>13 months ended 30 June 2009</i>
	<i>£</i>	<i>£</i>
Loss for the year/period	<u>(1,232,669)</u>	<u>(1,119,390)</u>
Total comprehensive expense for the year/period	<u>(1,232,669)</u>	<u>(1,119,390)</u>
Attributable to:		
Equity holders of the parent	<u><u>(1,232,669)</u></u>	<u><u>(1,119,390)</u></u>

Group Statement of Changes in Equity

For the year ended 30 June 2010:

	<i>Share Capital £</i>	<i>Share Premium £</i>	<i>Share Based Payment Reserve £</i>	<i>Retained Earnings £</i>	<i>Total £</i>
Opening balances	97,929	1,605,025	—	(1,119,390)	583,564
Shares issued (net of expenses)	10,075	767,395	—	—	777,470
Share based payment expense	—	—	16,650	—	16,650
Loss for the year	—	—	—	(1,232,669)	(1,232,669)
At end of the year	<u>108,004</u>	<u>2,372,420</u>	<u>16,650</u>	<u>(2,352,059)</u>	<u>145,015</u>

For the thirteen months ended 30 June 2009:

	<i>Share Capital £</i>	<i>Share Premium £</i>	<i>Retained Earnings £</i>	<i>Total £</i>
Opening balances	—	—	—	—
Shares issued (net of expenses)	97,929	—	—	97,929
Share premium	—	1,605,025	—	1,605,025
Loss for the period	—	—	(1,119,390)	(1,119,390)
At end of the year	<u>97,929</u>	<u>1,605,025</u>	<u>(1,119,930)</u>	<u>583,564</u>

The accompanying notes are an integral part of the historical financial information.

Group Balance Sheet

As at 30 June 2010

	<i>Note</i>	<i>2010</i> £	<i>2009</i> £
Non current assets			
Intangible assets	10	—	—
Property, plant and equipment	11	153,469	43,714
		<u>153,469</u>	<u>43,714</u>
Current assets			
Inventories	13	156,528	160,910
Trade and other receivables	14	95,759	74,721
Cash and cash equivalents		67,446	391,954
		<u>319,733</u>	<u>627,585</u>
Total assets		<u>473,202</u>	<u>671,299</u>
Current liabilities			
Trade and other payables	14	(328,187)	(87,735)
		<u>(328,187)</u>	<u>(87,735)</u>
Net current (liabilities)/assets		<u>(8,454)</u>	<u>539,850</u>
Net assets	4	<u>145,015</u>	<u>583,564</u>
Equity			
Share capital	15	108,004	97,929
Share premium account		2,372,420	1,605,025
Share based payment reserve		16,650	—
Retained earnings		(2,352,059)	(1,119,390)
Total equity		<u>145,015</u>	<u>583,564</u>

The accompanying notes are an integral part of the historical financial information.

Group Cash Flow Statement

for the year ended 30 June

			<i>13 months ended 30 June 2009</i>
	<i>Note</i>	<i>2010 £</i>	<i>2009 £</i>
Net cash (used in) operating activities	17	<u>(855,802)</u>	<u>(1,032,086)</u>
Investing activities			
Interest received	6	263	1,124
Purchase of property, plant and equipment		(136,622)	(45,564)
Expenditure on intangible assets		<u>(91,817)</u>	<u>(233,560)</u>
Net cash (used in) investing activities		<u>(228,176)</u>	<u>(278,000)</u>
Financing activities			
Issue of share capital		10,075	249,750
Share premium		777,425	1,802,250
Issue costs		(28,030)	(349,046)
Interest paid		<u>—</u>	<u>(914)</u>
Net cash from financing activities		<u>759,470</u>	<u>1,702,040</u>
Net (decrease)/increase in cash and cash equivalents		<u>(324,508)</u>	<u>391,954</u>
Cash and cash equivalents at beginning of year/period		<u>391,954</u>	<u>—</u>
Cash and cash equivalents at end of year/period		<u><u>67,446</u></u>	<u><u>391,954</u></u>

1. General information

3D Diagnostic Imaging Plc is a company registered in the Isle of Man under the Companies Act 2006. The historical financial information has been prepared in Sterling because that is the currency of the primary economic environment in which the Group operates.

Adoption of new and revised Standards

The Group's consolidated historical financial information is prepared in accordance with International Financial Reporting Standards (IFRSs). The accounting policies set out in note 2 have been applied in preparing the historical financial information for the year ended 30 June 2010, the comparative information presented in the historical financial information for the thirteen months ended 30 June 2009 and in the preparation of an opening IFRS balance sheet at 17 June 2008 (the Company's date of incorporation). IFRS 1 requires disclosures concerning the transition from UK GAAP to IFRS. No adjustments have been identified on this transition and so no such disclosures have been provided.

At the date of approval of the historical financial information, the following Standards and Interpretations which have not been applied in the historical financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate
IAS 27 (amended)	Business Combinations
IFRS 3 (revised 2008)	Consolidation and Separate historical financial information
IAS 27 (revised 2008)	Investment in Associates
IAS 28 (revised 2008)	Prepayments of a minimum funding requirement
IFRIC 14	Distribution of Non-cash Assets to Owners
IFRIC 17	Extinguishing Financial liabilities with equity
IFRIC 19	

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the historical financial information of the Group.

2. Significant accounting policies

Basis of accounting

The historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union.

The historical financial information has been prepared under the historical cost convention. The principal accounting policies are set out below.

Basis of consolidation

The financial information consolidates the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during a period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the historical financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Board has undertaken a recent and thorough review of the Group's forecasts and the associated risks. These forecasts extend for a period beyond one year from the date of approval of these financial statements. After applying reasonable downside scenarios to the key assumptions underpinning the Group's forecasts, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Given the current stage of product development and the commercial status of distribution of the CarieScan PRO, in October 2010 the Group announced that it was withdrawing from the PLUS quoted market and was intending to join AIM. Trading of the Company's shares on AIM is expected to commence on 22 November 2010. This will provide funds to support further product investment and sufficient working capital for the ongoing commercialisation of the business. Subscription letters, in relation to the proposed placing and admission to AIM totalling £2.71m have been received and their additional funding has been included in the Directors' assessment of the Company's and Group's future funding position against its projected positive cashflows. For this reason the Directors consider that the going concern basis is appropriate in preparing the Company's and Group's financial statements.

Goodwill

Goodwill arising on businesses acquired represents the excess of the fair value of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually; any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts from the sales of goods provided in the normal course of business, net of value added tax and discounts, and is recognised when the significant risks and rewards of ownership of the product have been transferred to a third party. In the case of sale or return transactions, revenue is only recognised when, and only to the level that, risks and rewards are transferred.

Turnover

Turnover is the invoiced value of goods and services supplied and excludes VAT and other sales-based taxes.

Foreign currencies

The individual historical financial information of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of consolidated historical financial information, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Group and the presentation currency for the consolidated historical financial information.

In preparing the historical financial information of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated historical financial information, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributable to minority interests as appropriate).

Property, plant and equipment

Property, plant and equipment balances are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all property, plant and equipment in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Equipment, fixtures and fittings	– 33% per annum
Plant & machinery	– 15% per annum

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 income statement in the period of disposal.

Internally-generated intangible asset – research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the group's development activities is recognised only if all of the following conditions are met:

- It is technically feasible to complete the intangible asset and use or sell it;
- The Group intends to complete the intangible asset and use or sell it;
- The Group is able to use or sell the intangible asset;
- It is probable that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The development costs of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are included at cost and amortised in equal annual instalments over their estimated useful economic life. Provision is made for any impairment. Intangible assets acquired during the period have been fully amortised given the group's early stage of development and the risks and uncertainty associated with any future revenue streams.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, a formal impairment test based on a discounted cash-flow approach is performed and the recoverable amount of the asset is estimated in order to quantify any impairment loss. Any impairment loss is recognised as an expense immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Leases

Rentals under operating leases are charged on a straight line basis over the term of the lease, even if the payments are not made on such a basis.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's activities give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates. The Group has no borrowings and is principally funded by equity, maintaining all its funds in bank accounts. The Group does not use derivative financial instruments for speculative purposes.

Financial assets

Financial assets are classified into the following specified categories; financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The carrying value of the financial asset is reduced through impairment loss directly for all financial assets with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Share based payments

The Group issues equity-settled share based benefits to employees. These share based payments are measured at their fair value at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured using the Black Scholes Model. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefit reserve.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, as described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the historical financial information.

Valuation of share based payments to employees

The Group estimates the expected value of share based payments to employees and this is charged through the income statement over the vesting period. The cost is estimated using the Black Scholes valuation model which requires a number of assumptions to be made such as levels of share vesting, time of exercise, expected length of service and employee turnover and share price volatility. This method of estimating the value of share based payments is intended to ensure that the actual value transferred to employees is provided for by the time such payments are made.

Development expenditure relating to identifiable projects is capitalised provided it is probable that the project will generate future economic benefits. There remains a risk that costs previously capitalised relate to projects that are subsequently considered uneconomic or technically inadequate, at which time the unamortised capitalised costs would be expensed immediately.

4. Segmental information

For management purposes, the Group's primary segment is geographical. The directors consider that the business operates in a single business segment, being dental products. On an annual basis, the Directors will review segments as applications in fields other than dental are taken through to significant investment and development.

(a) Segmental revenue by source

All revenue was derived from the UK.

Inter segment revenue is charged on an agreed transfer pricing basis and is eliminated on consolidation of the Group trading results.

(b) Segmental result

The entire result is derived from operations in the UK.

(c) Other information

Capital expenditure and depreciation

All amounts of capital expenditure and associated depreciation arose in the UK.

(d) Balance Sheet

All assets and liabilities are attributable to the UK.

(e) Additional information

Sales by destination

All sales were made into the UK.

5. Operating loss

Operating loss is stated after charging/(crediting):

	2010	13 months ended 30 June 2009
	£	£
Cost of inventories recognised as expense	22,453	1,062
Amortisation of intangible assets (Note 10)	91,817	233,560
Depreciation of property, plant and equipment (Note 11)	26,867	1,850
Research and development costs expensed	86,226	38,577
Staff costs (Note 7)	441,342	490,604
Auditors' remuneration:		
Audit services		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	4,500	4,500
Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	10,500	10,500
	<u>10,500</u>	<u>10,500</u>

In addition to auditors' remuneration shown above, the auditors received the following fees for non audit services.

	2010	13 months ended 30 June 2009
	£	£
Other services related to taxation	5,000	5,000
Other financial advisory services	10,000	—
	<u>15,000</u>	<u>5,000</u>

Staff costs shown above included £151,833 (2009: £201,846) relating to remuneration of Directors and key management personnel.

6. Finance income (net)

	2010	13 months ended 30 June 2009
	£	£
Bank interest receivable	263	1,124
Bank interest payable	—	(914)
	<u>263</u>	<u>210</u>

7. Employee information

The average number of employees, including executive Directors and key management personnel, employed by the Group during the year was:

	2010	13 months ended 30 June 2009
Research & Development	2	2
Commercial	2	1
Finance & Administration	2	2
	<u>6</u>	<u>5</u>

The aggregate payroll costs of these persons employed by the Group during the year were as follows:

	<i>13 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	£	£
Wages and salaries	369,266	431,589
Social security costs	43,426	46,015
Pension contributions	12,000	13,000
	<u>424,692</u>	<u>490,604</u>

In addition to the above, £16,650 (2009: nil) was charged to the income statement in respect of awards to employees under individual share option agreements.

Payroll costs related to development of intangible assets of £66,950 (2009: £70,197) have been capitalised per note 10.

8. Taxation

	<i>13 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	£	£
Total current tax	<u>—</u>	<u>—</u>

The actual tax charges for the year differs from the standard rate applicable in the UK of 28%. (2009: 28%.) for the reasons set out in the following reconciliation:

	<i>2010</i>	<i>2009</i>
	£	£
Loss on ordinary activities before tax	(1,232,669)	(1,119,390)
Tax at 28% thereon	258,860	313,429
Factors affecting charge for the year:		
Losses arising in territories where no tax is charged	(40,394)	—
Movement on unrecognised tax losses	(215,528)	(336,074)
Capital allowances in excess of depreciation	4,858	4,397
Non deductible expenses	(7,481)	18,248
Movement in short term differences	(315)	—
Current tax charge for the year	<u>—</u>	<u>—</u>

At 30 June 2010 the Group had unused tax losses of £1,800,000 (2009: £1,200,000) available for offset against future taxable profits arising in the UK. No deferred tax asset has been recognised due to the uncertainty of future profit streams in the UK.

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July. As it was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 24% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact on our financial statements as outlined above, however the actual impact will be dependent on our deferred tax position at that time.

9. Loss per share

IAS 33 'Earnings per Share' requires presentation of diluted earnings/(loss) per share when a company could be called upon to issue shares that would decrease profit or increase loss per share. For a loss making company with outstanding share options, loss per share would only be increased by the exercise of out-of-money options. Since it seems inappropriate to assume that option holders would not exercise out-of-money options, no adjustment has been made to calculate diluted loss per share for out-of-money share options.

Basic and diluted loss per share are calculated on the loss of the Group attributable to equity holders of the parent of £1,232,669 (2009: £1,119,390 loss) and on 103,993,776 (2009: 36,347,027) equity shares, being the weighted average number of shares in issue during the year.

10. Intangible fixed assets

<i>Group</i>	<i>Internally Generated Development Costs £</i>	<i>Patents and Trademarks £</i>	<i>Total £</i>
Cost			
At incorporation	—	—	—
Additions	71,847	161,713	233,560
At 30 June 2009	71,847	161,713	233,560
Additions	91,817	—	91,817
At 30 June 2010	163,664	161,713	325,377
Amortisation			
At incorporation	—	—	—
Charge for the period	(71,847)	(161,713)	(233,560)
At 30 June 2009	(71,847)	(161,713)	(233,560)
Charge for the year	(91,817)	—	(91,817)
At 30 June 2010	(163,664)	(161,713)	(325,377)
Net book value			
At 30 June 2010	—	—	—
At 30 June 2009	—	—	—

Intangible fixed assets at 30 June 2010 and in the prior period comprise acquired patents and trademarks, and capitalised development expenditure during the year in respect of dental caries devices. Given the uncertainty related to the future economic benefit of the assets, due to the Group's early stage of development, all development costs capitalised in the current year and prior period have been fully amortised in the year/period.

11. Property, plant and equipment

<i>Group</i>	<i>Plant & Machinery £</i>	<i>Fixtures & Fittings £</i>	<i>Total £</i>
Cost			
At incorporation	—	—	—
Additions	33,628	11,936	45,564
At 30 June 2009	33,628	11,936	45,564
Additions	117,532	19,090	136,622
At 30 June 2010	151,160	31,026	182,186
Depreciation			
At incorporation	—	—	—
Charge for the period	935	915	1,850
At 30 June 2009	935	915	1,850
Charge for the year	20,356	6,511	26,867
At 30 June 2010	21,291	7,426	28,717
Net book value			
At 30 June 2010	129,869	23,600	153,469
At 30 June 2009	32,693	11,021	43,714

12. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion owned, is given below.

Investment in subsidiary undertakings

Interests in main subsidiary undertakings:

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>Holding %</i>	<i>Nature of business</i>
CarieScan Limited	Scotland	100	Development and sale of medical devices in the dentistry sector

Subsidiaries

<i>Cost and Net book value</i>	<i>2010 £</i>	<i>2009 £</i>
As at 1 July 2009	1,000	1,000
Capital contribution	18,000	—
As at 30 June 2010	19,000	1,000

13. Inventories

	<i>2010 £</i>	<i>2009 £</i>
Finished goods	156,528	160,910

14. Other financial assets and liabilities

Trade and other receivables

	2010 £	2009 £
Current:		
Trade receivables	1,600	—
VAT recoverable	66,368	48,270
Other debtors	—	6,429
Prepayments and accrued income	27,791	20,022
	<u>95,759</u>	<u>74,721</u>

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. An allowance has been made for the estimated irrecoverable amounts from the sale of goods of £4,371 (2009: nil). The average credit period taken on sales is 60 days (2009: 60 days). No interest is charged on receivables in the normal terms of business.

The Group's principal financial assets are cash and cash equivalents, and trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are all banks with high credit ratings assigned by international credit rating agencies.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 90 days (2009: nil).

Ageing of impaired trade receivables

	2010 £	2009 £
60-90 days	—	—
90-120 days	—	—
120+ days	8,851	—
Total	<u>8,851</u>	<u>—</u>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade and other payables

	2010 £	2009 £
Current:		
Trade payables	44,828	24,204
Accruals and deferred income	258,346	46,881
Social security and other taxes	25,013	16,650
Other creditors	—	—
	<u>328,187</u>	<u>87,735</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases, consultancy services received and ongoing costs. The average credit period taken for trade purchases is 30 days (2009: 30 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

15. Share capital

	2010 £	2009 £
<i>Authorised</i>		
3D Diagnostic Imaging plc		
1,000,000,000 ordinary shares of £0.001 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, issued, and fully paid:</i>		
3D Diagnostic Imaging plc		
108,004,285 (2009: 97,929,285) ordinary shares of £0.001 each	<u>108,004</u>	<u>97,929</u>

The Company has one class of ordinary shares which carry no right to fixed income.

9,375,000 Ordinary shares of £0.001 each were issued on 19 November 2009. The total consideration received for these shares was £750,000.

500,000 Ordinary shares of £0.001 each were issued on 23 December 2009. The total consideration received for these shares was £37,500.

200,000 Ordinary shares of £0.001 each were issued on 8 February 2010. The shares were issued as consideration for services received by the Group. The fair value of the shares at date of issue was £18,000.

16. Financial instruments

The Group's financial instruments comprise cash at bank, receivables and payables which arise in the normal course of business. It is, and has been throughout the year under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The Group has been solely equity funded during the year. As a result the main risk arising from the Group's financial instruments is currency risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

Categories of financial instruments

	2010 £	2009 £
Financial assets (current)		
Trade receivables	1,600	—
Cash and cash equivalents	<u>67,446</u>	<u>391,954</u>
Financial liabilities (current)		
Trade payables	<u>44,828</u>	<u>24,204</u>

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults. The Group's policy on dealing with trade customers is detailed in Note 14.

Interest rate risk and liquidity risk

The Group is funded by equity, maintaining all its funds in bank accounts. The Group's policy throughout the year has been to minimise the risk by placing available funds on short term deposit. The short term deposits are placed with banks for periods of up to 1 month according to funding requirements.

The Group had no undrawn committed borrowing facilities at any time during the year.

Fair values

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the Group with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The Directors consider there to be no material difference between the book value of financial instruments and their fair values at the balance sheet date.

17. Notes to the cash flow statement

	2010	13 months ended 30 June 2009
	£	£
Operating loss	(1,232,932)	(1,119,600)
Amortisation of intangible assets	91,817	233,560
Depreciation of property, plant and equipment	26,867	1,850
Share based payment expense	16,650	—
Non cash flow movement in share based payment	18,000	—
Operating cash flows before movements in working capital	(1,079,598)	(884,190)
Decrease/(increase) in inventories	4,382	(160,910)
Increase in receivables	(21,038)	(74,721)
Increase in payables	240,452	87,735
Cash used in operations	(855,802)	(1,032,086)
Income taxes paid	—	—
Net cash used in operating activities	(855,802)	(1,032,086)

18. Share based payments

On 9 September 2009, the Company granted options over 450,000 ordinary shares under individual share option agreements at an exercise price of 7p per share to all employees. These options are exercisable between one and ten years from the date of grant. The options have a vesting period of one year.

No options were exercised during the year. Options are forfeited if the employees leave the Group before the options vest.

The options outstanding at 30 June 2010 had a weighted average exercise price of 7p (2009: nil), and a weighted average remaining contractual life of 9.25 years (2009: nil). The aggregate of the estimated fair values of the options outstanding at 30 June 2010 is £16,650 (2009: nil).

Details of the share options outstanding during the year:

	2010 Number	2009 Number
Outstanding at beginning of the year	—	—
Granted during the year	450,000	—
Outstanding at the end of the year	450,000	—
Exercisable at the end of the year	—	—

Inputs into the Black-Scholes model:

	2010	2009
Weighted average share price	£0.15	—
Weighted average exercise price	£0.07	—
Expected volatility	50%	—
Expected life (years)	9.25	—
Risk free rate	1%	—
Expected annual dividend yield	—	—

The expected volatility represents the Directors' best estimate of future volatility based on historical price fluctuations.

19. Financial commitments

Minimum lease payments under operating leases recognised as an expense in the year:

	2010	2009
	£	£
	17,681	38,577

At 30 June 2010, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	£	£
– within one year	1,473	17,681
– in the second to fifth years inclusive	—	1,473
	1,473	19,154

Operating lease rentals represents rentals payable by the Group for certain of its properties.

20. Post balance sheet events

The Group incorporated a US LLC, CarieScan LLC, on 14 July 2010. The LLC will be the employer of US based staff, primarily the sales support team established to service the US and Canadian distribution agreements.

In the period from July to September 2010 the Company raised £745,000 through the issue of unsecured convertible loan notes of £1 each. These loan notes carry an interest coupon of 5% per annum and upon the Company's subsequent admission to AIM will convert automatically at a price equivalent to a 25% discount on the price at which new equity funding is to be raised as a part of the admission process.

In October 2010 the Company announced that it was withdrawing from the PLUS quoted market and was intending to join AIM. Trading of the Company's shares on AIM is expected to commence on 22 November 2010.

On 26 October 2010, finnCap, on behalf of the Company received subscription letters in relation to the proposed placing and admission to AIM letters from investors totalling £2.71 million.

21. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated and are not disclosed in this note.

PART IV
STATUTORY AND GENERAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 8 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document, and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and there are no other facts which, if omitted, would effect the import of such information. All the Directors accept responsibility accordingly.

2. The Company, CarieScan and CarieScan LLC

2.1 The Company

2.1.1 The Company was incorporated in the Isle of Man on 17 June 2008 as a company limited by shares with the name of 3D Diagnostic Imaging plc and with registered number 002845V.

2.1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2.1.3 The liability of the members of the Company is limited.

2.1.4 The registered office of the Company is 34 North Quay, Douglas, Isle of Man IM1 4LB. The business address of the Company is Dundee Prospect Business Centre, The Technology Park, Dundee DD2 1SW. The Company's telephone number is 01382 598628.

2.1.5 The accounting reference date of the Company is currently 30 June.

2.2 CarieScan

2.2.1 The Company has a wholly owned trading subsidiary called CarieScan Limited.

2.2.2 CarieScan was incorporated in Scotland with company number SC343197. The principal activity of CarieScan is the marketing and distribution of the Technology within the dental market place.

2.2.3 The registered office of CarieScan is Unit 5, Gateway West, Luna Place, Technology Park, Dundee DD2 1XZ.

2.3 CarieScan LLC

2.3.1 CarieScan LLC has been established in Delaware as a wholly owned subsidiary of CarieScan on 14 July 2010, with its registered office at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA. This company has been established to be the Company's presence in the USA to provide support in relation to the arrangements with Patterson.

3. Share capital of the Company

3.1 At the date of incorporation the Company, the amount of share capital available for issue was £1,000,000 divided into 100,000,000 ordinary shares of 1p each of which 100 ordinary shares of 1p each were issued to Cavendish Square Limited, the subscriber to the Company's Memorandum of Association, on 17 June 2008.

3.2 On 11 July 2008, Cavendish Square Limited transferred 50 ordinary shares of 1p each to Evolve Capital Limited and 50 ordinary shares of 1p each to Jemima Hoskins.

3.3 By a written resolution passed on 11 February 2009:

3.3.1 each ordinary share of 1p each was sub-divided into 10 Ordinary Shares;

3.3.2 the Company adopted the new Articles of Association;

3.3.3 the Directors were authorised to disapply the pre-emption rights set out in the Articles in relation to the issue of shares with an aggregate nominal value of £135,000.

- 3.4 On 13 February 2009, Jemima Hoskins and Evolve each subscribed for 24,999,500 Ordinary Shares at par and the Company bought back 20,000,000 Ordinary Shares at par from Jemima Hoskins.
- 3.5 Pursuant to the PLUS Investment Agreement and the Deed of Adherence, the Company issued 20,012,500 Ordinary Shares at par. 19,987,500 Ordinary Shares were issued on 13 February 2009, and 25,000 Ordinary Shares were issued on 17 March 2009.
- 3.6 On 21 April 2009 the Ordinary Shares were admitted to trading on PLUS-quoted pursuant to an admission document dated 6 April 2009 (the "PLUS Admission"). As part of the PLUS Admission:
- the Company converted £1,802,250 of previously issued Loan Notes, at a conversion price of 4p per share into 45,056,250 Ordinary Shares.
 - pursuant to the Investment Agreement and Deed of Adherence, the Company received subscriptions for 2,860,536 Ordinary Shares at a placing price of 7p per Ordinary Share.
- 3.7 Pursuant to various applications for subscription, on 19 November 2009 the Company issued in aggregate 9,375,000 Ordinary Shares to existing shareholders at a price of 8p per Ordinary Share for an aggregate sum of £750,000.
- 3.8 Pursuant to various applications for subscription, on 23 December 2009 the Company issued 250,000 Ordinary Shares to market maker Winterflood Securities Limited at a placing price of 7p per Ordinary Share. A further 125,000 Ordinary Shares were issued to each of James Cunningham-Davis and Pritesh Desai at a placing price of 8p per Ordinary Share. The aggregate sum received in respect of these issues of Ordinary Shares was £37,500.
- 3.9 Pursuant an application for subscription, on 22 January 2010 the Company issued 200,000 Ordinary Shares to Nigel Pitts at a placing price of 7p per Ordinary Share for an aggregate sum of £14,000.

3.10 **Loan Notes**

The Company has raised £745,000 additional funding by the issue of Loan Notes predominantly to existing shareholders, in the following tranches:

- £275,000 in July 2010;
- £250,000 in August 2010; and
- £220,000 in September 2010.

The Loan Notes will convert on Admission at the Conversion Price into 16,555,555 Conversion Shares.

- 3.11 Details of the share capital of the Company, which is fully paid up in respect of Ordinary Shares which have been issued, at the date of this document are as follows:-

	<i>Issued share capital</i>	
	<i>£</i>	<i>Number of Ordinary Shares</i>
Ordinary Shares of 0.1p each	108,004	108,004,285

- 3.12 Details of the share capital of the Company on Admission will be as follows:-

	<i>Issued share capital</i>	
	<i>£</i>	<i>Number of Ordinary Shares</i>
Ordinary Shares of 0.1p each	170,474.82	170,474,824

- 3.13 The Ordinary Shares are in registered form and are enabled for settlement in CREST.

4 Share Option Schemes and Option Grants

4.1 The Company operates the EMI Share Option Scheme in accordance with the EMI Code of Income Tax (Earnings and Pensions) Act 2003.

4.1.1 The Company has issued the following options under the EMI Share Option Scheme. The options are not transferable and may not be exercised before the first anniversary of their issue.

<i>Holder</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price per Ordinary Share</i>
Director			
G Lay	9 September 2009	200,000	7p
Other Employees			
A Christie	9 September 2009	100,000	7p
N Skelly	9 September 2009	75,000	7p
I Smart	9 September 2009	55,000	7p
H Gauld	9 September 2009	20,000	7p
W Lees	1 July 2010	150,000	15p
Total		<u>600,000</u>	

4.1.2 The principal terms of the EMI Share Option Scheme are set out in the summary below.

Grant of options

Options may be granted to eligible employees at the discretion of the Board but options intended to be EMI options must meet the requirements of the provisions of Schedule 5 of ITEPA relating Enterprise Management Incentives (“EMI”).

Options may be granted to an eligible employee provided that, if they are to be EMI options, the terms of the grant comply with the EMI Code as defined in the EMI legislation.

Eligibility

Any employee who is an employee of a group company and in relation to EMI options whose committed time to group companies amounts to not less than 25 hours per week or, if less, 75 per cent. of his working time, shall be eligible to participate in the EMI Share Option Scheme provided they do not hold a material interest in any group company.

Option conditions

An option may be granted subject to an objective condition or target as the Board may in its discretion impose.

Exercise price

The price per share to be paid on the exercise of an EMI option shall be as determined by the Board as the date of grant of the option, provided that such shall not be less than the nominal value per share and subject to adjustment as the Board shall determine to take into account any relevant variation in the Company’s share capital.

Limit of participation

The total market value (as at the date of grant of EMI options) of shares the subject of EMI options must not exceed £3 million or such amount as is specified in the EMI legislation.

Exercise of options

Options may be exercised on or after any date or dates specified in particular option agreements made under the scheme, earlier on the occurrence of certain specified events including a takeover, sale, listing, voluntary winding up, scheme of arrangement or demerger. See also the section on employees leaving the Company below. In certain

circumstances, an option holder may be permitted to exchange his option under the scheme plan for options over the shares of an acquiring company, subject to the agreement of the acquiring company.

Employees leaving the Company

Subject to the following, if the option holder ceases to be an employee of any and all Group companies then generally the option will lapse immediately upon the option holder so ceasing. If the option holder ceases to be employed or hold office by reason of illness, injury, disability, retirement, the employing company ceasing to be a member of the Group or any other reason determined at the fair and reasonable discretion of the Board, the option shall lapse on the expiry of 40 days following such event. An option may be exercised for a period of one year following the death of an option holder who holds options subject to any exercise condition.

Alteration of EMI Share Option Scheme

The Board may alter the terms of the EMI Share Option Scheme from time to time provided that no such alteration or addition shall adversely affect the option holders without the written consent of the relevant option holders.

4.2 The Company adopted the Share Option Scheme on 26 October 2010.

4.2.1 The Company has introduced the Share Option Scheme in order to allow certain employees to share in the success of the Group and to promote motivation and retention.

The principal terms of the Share Option Scheme are set out in the summary below.

Grant of options

Options may be granted to eligible employees at the discretion of the Board.

Options may be granted to an eligible employee:

- (a) within the period of 42 days immediately after the date of approval of the Share Option Scheme; or
- (b) within the period of 42 days immediately after the preliminary announcement of the Company's final, interim or quarterly results in respect of any financial period; or
- (c) at any other time but only if, in the opinion of the remuneration committee, the circumstances are exceptional.

Eligibility

Any employee or executive director who is a *bona fide* employee of a group company shall be eligible to participate in the Share Option Scheme provided they do not hold a material interest in any group company.

Option conditions

An option may be granted subject to a performance based objective or target as the remuneration committee may in its discretion impose.

Exercise price

The price per share to be paid on the exercise of the option shall be no less than the closing middle market quotation for a share on AIM on the business day immediately preceding the date of grant of the option (or, if the remuneration committee so determines, the average of the closing middle market quotations the three business days immediately preceding the date of grant of the option) save where an option is granted at or immediately following admission of the Company's shares to a stock market when the option price shall be the admission price.

Limit of participation

A participant may not be granted options in any 12 month period under the Share Option Scheme over shares with a market value in excess of twice his basic salary as at the date of grant other than in exceptional circumstances as determined by the remuneration committee. The total number of unissued shares in respect of which options under the Share Option Scheme may be granted under the Share Option Scheme in any year shall not, when aggregated with the number of shares issued pursuant to options-granted or capable of issue pursuant to options under the Share Option Scheme or any other share option incentive scheme during the period of 10 years from the date of approval exceed 15 per cent. of the share capital of the Company in issue from time to time.

Exercise of options

Options may be exercised as to 50 per cent. from the second anniversary of the date of grant, as to 25 per cent. from the third anniversary of the date of grant, and the balance from the fourth anniversary from the date of grant and at any time thereafter up to ten years from the date of grant. Options may be exercised earlier on the occurrence of certain specified events including liquidation takeover, a disposal by the Company of a material Subsidiary scheme of reconstruction or compulsory acquisition. See also the section on employees leaving the Company below.

In certain circumstances, an option holder may be permitted to exchange his option under the relevant plan for options over the shares of the acquiring company, subject to the agreement of the acquiring company.

Employees leaving the Company

Subject to the following, if the option holder ceases to be an employee of any and all Group companies then generally the option will lapse immediately upon the option holder so ceasing. If the option holder ceases to be employed or hold office by reason of injury, disability, retirement or redundancy, the option shall lapse on the expiry of six months following such event. If the option holder ceases to be employed or hold office by reason of death, the option will be exercisable by his personal representatives for a period of up to six months after his death (but only to the extent that it would otherwise have been exercisable) at which time the option shall lapse.

Variation of share capital

If there is a variation of share capital of the Company the remuneration committee may adjust the number of shares under option and the exercise price, to reflect such variation.

Alteration of Share Option Scheme

The remuneration committee may by resolution alter the terms of the Share Option Scheme from time to time provided that no such alteration or addition shall adversely affect the option holders without the consent of option holders.

- 4.3 Options to subscribe for Ordinary Shares under the Share Option Scheme have been granted to the following Directors, conditionally on Admission, as follows:

<i>Director</i>	<i>Date of conditional grant</i>	<i>Exercise period</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price per Ordinary Share</i>
Oliver Cooke	26 October 2010	until 26 October 2020	5,966,618	6 pence
Graham Lay	26 October 2010	until 26 October 2020	8,523,741	6 pence

- 4.4 Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form.
- 4.5 There are no shares which do not represent capital.
- 4.6 Save as disclosed in this Part IV:
- 4.6.1 no share or loan capital of the Company has been issued or is proposed to be issued;
- 4.6.2 no person has any preferential subscription rights for any share capital of the Company;

- 4.6.3 no convertible securities, exchangeable securities or securities with warrants have been issued or are proposed to be issued; and
- 4.6.4 no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

5. Memorandum and Articles of Association

The Act provides that the memorandum of association of a company may contain a statement specifying the purposes for which a company is established or the business, activities or transactions which the company is permitted to take or the restrictions (if any) upon such purposes, business, activities or transactions for which the company is established. Any such statement is without prejudice to the provision of the Act stating that a company has unlimited capacity to carry on or undertake any business or activity and to do or be subject to any act or to enter into any transaction. The memorandum of association of the Company does not set forth any purposes for which the Company was established or any other restrictions or limitations on the exercise of its rights, powers and privileges.

5.1 Articles of Association

The following is a summary of the principal provisions of the Articles adopted pursuant to the resolution referred to in paragraph 3.3.2 above.

(a) Capital structure

Unless the Company shall by resolution otherwise direct, the amount of share capital of the Company available for issue is £1,000,000 divided into 1,000,000,000 Ordinary Shares.

(b) Variation of rights

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in par value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or cease to be a share or class of shares or a renounceable right of allotment or a share, title to which is permitted to be transferred by means of a relevant system in accordance with the CREST Regulations.

(c) Alteration of capital

To the extent that the shares in the capital of the Company comprise shares with a par value, the Company in general meeting may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (ii) consolidate and/or divide, re-designate or redenominate or convert all or any of its share capital into shares of larger or smaller par value, into shares having a purchase price of another currency or into different classes of shares than its existing shares; and
- (iii) sub-divide its shares or any of them into shares of smaller par value and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company

has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to compliance with the solvency test (as defined in section 49 of the Act) and to any rights for the time being attached to any shares, the Company may by special resolution reduce its paid up share capital.

(d) *Issue of Ordinary Shares*

Subject to the provisions of the Articles summarised in paragraph 5.1(e) below, (*Pre-emption rights*), and subject to any resolution of the Company, all unissued shares in the Company shall be at the disposal of the Board and they may allot, grant options over or otherwise deal with or dispose of them to such persons, at such times and on such terms as the Board may decide.

(e) *Pre-emption rights*

The Act provides that the statutory rights of pre-emption set forth in section 36 thereof shall only apply where the memorandum or articles of association of the company expressly provide that such section shall apply, but not otherwise. Section 36 also permits a company to provide for modified rights of pre-emption in its memorandum or articles of association. The Articles do not expressly provide that section 36 of the Act shall apply to the Company. The Articles provide for the following rights of pre-emption.

Subject as indicated in the paragraph below, and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the following provisions:

- (i) all shares to be allotted (the “offer shares”) shall first be offered to the members of the Company who the Directors determine can be offered such shares without the Company incurring securities offering compliance costs which, in the opinion of the Directors, would be burdensome given the number of members in the relevant jurisdiction in relation to which such compliance costs would be incurred (the “relevant members”);
- (ii) the offer to relevant members set out in sub-paragraph (i) above (the “offer”) shall be made in proportion to the existing holdings of shares of relevant members;
- (iii) the offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each relevant member to state in writing within a period, not being less than fourteen days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- (iv) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant member who shall have notified to the Directors of their willingness to take any of the offer shares but so that no relevant member shall be obliged to take more than the maximum number of shares notified by him under sub-paragraph (iii) above; and
- (v) if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant members.

The provisions of the paragraph above shall not apply to the allotment of any shares for a consideration other than cash or in connection with an employee's share scheme, and, accordingly, the Directors may allot or otherwise dispose of any unissued shares in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

A reference in the foregoing paragraphs to the allotment of any shares includes the grant of a right to subscribe for, or to convert any securities into, shares but such reference does not include the allotment of any relevant shares pursuant to such a right.

(f) *Voting Rights*

Subject to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or by proxy, not being himself a member entitled to vote, shall on a show of hands have one vote and every member who (being a corporation) is present by duly authorised corporate representative or by proxy shall on a show of hands have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

(g) *Dividends*

Subject to the provisions of the Articles, the Company may, subject to the satisfaction of the solvency test (as defined in section 49 of the Act), by resolution declare that dividends out of the Company's profits be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

(h) *Transfer of shares*

Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations. Any written instrument shall contain the business or residential address of the transferee and be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Company's register of members as the holder of the share.

No transfer of any share shall be made:

- (i) to a minor; or
- (ii) to a bankrupt; or
- (iii) to any person who is, or may be, suffering from mental disorder and either:
 - (A) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or
 - (B) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

The Board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;

- (iii) it is in respect of only one class of shares;
- (iv) it is in favour of single transferee or not more than four joint transferees;
- (v) it is duly stamped (if so required);
- (vi) it is delivered for registration to the registered agent of the Company, or such other person as the Board may from time to time appoint, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
- (vii) the holding of such share would not result in a regulatory, pecuniary, legal, taxation or material administrative disadvantage to the Company or its shareholders as a whole

provided that such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

(i) *Directors*

Unless and until otherwise determined by the Company by resolution, the number of Directors (other than alternate Directors) shall be not less than two or more than twelve. Directors may be appointed by the Company by resolution or by the Board, either to fill a vacancy or as an addition to the existing Board. If appointed by the Board, that Director holds office until the next annual general meeting, at which he shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at the meeting.

At every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office by rotation provided that if there is only one Director who is subject to retirement by rotation, he shall retire.

(j) *Directors' Interests*

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Save as provided below, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which (together with any interest of any person connected with him within the meaning of section 252 to 255 of the UK Companies Act 2006) he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company) or a duty which conflicts with the interests of the Company unless his duty or interest arises only because the resolution relates to one of the matters set out in the following sub-paragraphs in which case he shall be entitled to vote and be counted in the quorum:

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

- (iii) where the Company or any of its subsidiaries is offering securities 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;
- (iv) relating to another company in which he and any persons connected with him (within the meaning of sections 252 to 255 of the UK Companies Act 2006) do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the UK Companies Act 2006) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

An interest of a person who is, for any purpose of the Act (excluding any such modification thereof not in force when the Articles became binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £100,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Executive Directors may be paid money in addition to any fee payable to him for his services as a Director. Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director.

Subject to the Act, the Company may indemnify every Director, alternate Director or other officer of the Company (other than an auditor) to the fullest extent permitted by law.

(k) *Disclosure of interests*

A person must notify the Company of the percentage of voting rights held if the percentage of voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (being financial instruments falling within Rule 5.3 of the Disclosure Rules and Transparency Rules of the UK Financial Services Authority (the “DTR”)) (or a combination of such holdings):

- (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent. or 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.; or

- (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company.

A person shall not be required to aggregate his holding in the circumstances prescribed in Rule 5.4 of the DTR.

A notification given in accordance with the Articles shall include the following information (the “Required Information”):

- (i) the resulting situation in terms of voting rights and the date on which the relevant threshold was reached or crossed;
- (ii) if applicable, the chain of controlled undertakings through which voting rights are effectively held;
- (iii) the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights and of the person entitled to exercise voting rights on behalf of that shareholder;
- (iv) the price, amount and class of shares concerned;
- (v) in the case of a holding of financial instruments, the following information must be disclosed:
 - (A) for financial instruments with an exercise period, an indication of the date or time period where shares will or can be acquired, if applicable;
 - (B) date of maturity or expiration of the financial instruments;
 - (C) identity of the holder;
 - (D) name of the underlying company; and
 - (E) detailed nature of the financial instruments, including full details of the exposure to Ordinary Shares; and
- (vi) any other information required by the Company or prescribed by the DTR.

An obligation to give a notice to the Company shall be fulfilled as soon as possible and in any event before the end of the second working day after the relevant person learns the relevant threshold was reached or crossed.

Every person who holds 3 per cent. or more of the voting rights of any relevant class of shares of the Company shall, for as long as he holds such voting rights, be under a continuing obligation to give to the Company notice in writing of the Required Information and of any change in the Required Information, of which he becomes aware at any time after the event (or if more than one the most recent event) by virtue of which he became obliged by the Articles to give notice to the Company of his percentage of voting rights held. A notice given shall be given before the end of the second working day after the day on which the person giving the notice becomes aware of the relevant facts.

(l) *Suspension of rights*

The Board may at any time serve a notice (“Information Notice”) upon a member requiring the member to disclose to the Board in writing within such period (being no less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“relevant shares”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the

information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(i) **Voting**

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to attend or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) **Dividends and transfers**

where the relevant shares represent at least 0.25 per cent. in par value of their class:

(A) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and

(B) subject in the case of uncertificated shares to the relevant CREST Regulations, no transfer, other than an approved transfer, or any relevant shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

(m) *Borrowing powers*

Subject to the other provisions of the Articles and to the Act, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof 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.

(n) *General Meetings*

The Board shall convene in each year a general meeting of the members of the Company called the annual general meeting; any annual general meeting shall be held at such time and place as the Board may determine.

A printed copy of the Directors’ and Auditors’ reports accompanied by printed copies of the annual accounts shall be delivered or sent by post to every member not less than twenty-one clear days before the meeting before which they are to be laid.

All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

The Board may convene any extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to Section 67(2) of the Act) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

Any annual general meeting and any extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director shall be convened by not less than twenty-one clear days’ notice in writing. Other extraordinary general meetings shall be convened by not less than fourteen clear days’ notice in writing.

Notwithstanding that a meeting is convened by shorter notice than that specified in the Articles, it shall be deemed to have been properly convened if it is so agreed by all the members entitled to attend and vote at the meeting.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member, or one person entitled to attend and to vote on the business to be transacted, being a member holding not less than one-tenth of the issued share capital of the Company and being present in person or by proxy shall be a quorum. (The provisions of Section 67(4) of the Act providing for participation in the meeting by telephone or other electronic means are excluded.) If within fifteen minutes (or such longer interval not exceeding one hour as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to later on the same day, to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than fourteen nor more than twenty-eight days thereafter. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than fourteen nor more than twenty-eight days thereafter).

(o) *Winding up*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931 (which provision applies to the Company (with statutory modification) pursuant to the Act). The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

A resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 (which provision applies to the Company (with statutory modification) pursuant to the Act) may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

6. Directors' and other Interests

6.1 Directors' Interests

As at 25 October 2010, being the last practicable date prior to printing this document, and as at Admission, the interests (including rights to subscribe and short positions) of the Directors (all of which are beneficial, unless otherwise stated) (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) or connected persons in the issued share capital of the Company are, and will be, as follows:

	<i>At the date of this document</i>			<i>Upon Admission</i>		
	<i>Existing Ordinary Shares</i>	<i>% of the issued share capital</i>	<i>Conversion Shares issued</i>	<i>Placing Shares</i>	<i>Ordinary Shares issued</i>	<i>% of the Enlarged Share Capital</i>
James Noble	6,244,872	5.8%	2,222,222	1,666,666	10,133,760	5.9
Graham Lay	5,596,629	5.2%	333,333	166,666	6,096,628	3.6
Oliver Cooke	—	—	—	—	—	—
James Cunningham-Davis	125,000	0.1%	444,444	—	569,444	0.3
Pritesh Desai	125,000	0.1%	444,444	—	569,444	0.3
Christina Rawlinson	—	—	—	—	—	—
Total	12,091,501	11.2%	3,444,443	1,833,332	17,369,276	10.1%

Further details of the Directors' interests in Ordinary Shares are set out in paragraphs 4.1, 4.3 and 6.1 of Part IV of this document.

6.2 In addition to the holdings disclosed in paragraphs 6.1 above, the Company has been notified of the following holdings which will, as at the date of this document or following Admission, represent more than 3 per cent. of the issued share capital or voting rights of the Company:-

	<i>Current</i>		<i>Following Admission</i>	
<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Evolve	44,529,911	41.2	53,974,354	31.7
Scottish Enterprise	31,613,393	29.3	39,391,163	23.1
Pershing Nominees Limited*	14,312,767	13.2	14,312,767	8.5
Marley Properties Ltd**	3,434,000	3.2	3,434,000	2.0

* Mr & Mrs Hoskins hold interests in Ordinary Shares in aggregate.

** Beneficial owner is Ronald Maydon.

The holders of Ordinary Shares set out in paragraphs 6.1 and 6.2 above, do not have different voting rights to the other holders of Ordinary Shares.

- 6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, as at the date of this document, the Directors are not aware of any interest which will immediately following Admission represent 3 per cent. or more of the issued share capital or voting rights of the Company or which directly or indirectly, jointly or severally, exercises or could exercise control of the Company.
- 6.4 Save as disclosed in this document, none of the Directors has or will have any interest in the share capital or loan capital of the Company following Admission nor does any person connected with the Directors have any such interest, whether beneficial or non-beneficial.
- 6.5 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 6.6 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

- 6.7 There are no material related party transactions required to be disclosed under the accounting standards applicable to the Company, to which the Company was a party during the period of 12 months preceding the date of this document.

7. Directors' Letters of Appointment/Service Agreements

7.1 *Directors of the Company*

- 7.1.1 The services of Graham Lay as chief executive officer are provided under the terms of a service agreement with the Company dated 26 October 2010 which provides a salary of £180,000 per annum payable in arrears, such appointment being terminable upon 12 months' notice by either party save in the case of a change of control of the Company in which case the Company is obliged to give not less than 24 months' notice. The service agreement permits summary dismissal by the Company in the event of gross misconduct by the director and certain other specified instances. The service agreement also contains non-competition and non-solicitation clauses.
- 7.1.2 The services of Oliver Cooke as chief financial officer are provided under the terms of a service agreement with the Company dated 26 October 2010 which provides a salary of £100,000 per annum payable in arrears, such appointment being terminable upon 12 months' notice by either party save in the case of a change of control of the Company in which case the Company is obliged to give not less than 24 months' notice. The service agreement permits summary dismissal by the Company in the event of gross misconduct by the director and certain other specified instances. The service agreement also contains non-competition and non-solicitation clauses.
- 7.1.3 The services of James Noble as non-executive Chairman are provided under the terms of an appointment letter from the Company to him dated 26 October 2010 which provides an initial fee of £50,000 per annum, such appointment being for an initial term of two years, subject to termination upon three months' notice at any time by each party. The letter of appointment permits summary dismissal by the Company in the event of gross misconduct by the director and certain other specified instances. The letter of appointment also contains non-competition and non-solicitation clauses.
- 7.1.4 The services of James Cunningham-Davis, Pritesh Desai and Christina Rawlinson as non-executive directors are provided under the terms of a company administration services agreement between (1) the Company and (2) Cavendish Trust Company Limited ("CTCL") dated 1 July 2010 which provides for an annual fee of £46,000 per annum with additional services provided on a time basis. The agreement is terminable by either party on 90 days' notice. The agreement also provides for immediate termination in the event of an unremedied breach by the other party. In the event of termination, CTCL shall procure the resignation of James Cunningham-Davis, Pritesh Desai and Christina Rawlinson.
- 7.2 Save as disclosed in paragraph 7.1, there are no service contracts, existing or proposed, between any Director and the Company.
- 7.3 It is estimated that under arrangements currently in force, or to be in force with effect from Admission, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 30 June 2011, will be approximately £410,000.

8. Additional Information on the Board

- 8.1 In addition to directorships of the Company, the Directors hold or have held the following directorships (including directorships of companies registered outside the Isle of Man and England and Wales) or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships:</i>	<i>Previous directorships:</i>
James Noble	GW Pharmaceuticals plc Adaptimmune Limited Immunocore Limited Astaire Group PLC	Axellis Limited (in administration) Avidex Limited Albany Capital plc Curagen Corporation Evolve MediGene Ag Finsbury Worldwide Pharmaceuticals Trust plc
Graham Lay	CarieScan Limited	IDMoS plc (in administration) IDMoS Poland Limited
Oliver Cooke	Corrib Associates	Servoca PLC BRL Realisation Limited Servoca Nursing and care Limited SN&C Holdings Limited The Locum Partnership Limited Doctors on call limited Global Medics Limited Rowan Dartington and Co. Limited Dowgate Capital Stockbrokers Limited Evolve
James Cunningham- Davis	Access2Leisure Limited Accord Partnership Limited Accumulative Finance Company Limited Acland Investments Limited African Mining Operations Limited Ambe Limited Anant Limited Anemone Properties Limited Anja Property Holding Limited Arjo Limited Ashglade Limited Aspaud Company Limited Avana Petroleum Limited Avana Property Limited Barbican Properties Limited Baynoona Trading Limited Beate Property Holding Limited Bishops Management Limited Boisdale Properties Limited Bonzo Limited Bouverie Investments Limited Bowdon Associates Limited Braco Scotland Limited	Amexi Software Limited Antrobus Limited B.E.P.S. Secretaries Limited Bahamas Petroleum Company Limited Balcell Limited Beacon Hill Resources Plc Bel Veder Title Limited Belmont Travel Limited Birchridge Investments Limited Broadcast Communications Limited Bushco International Limited Byman Investments Limited Can Holdings Limited Caumont Finance Limited Choice Corporation Limited CLC (Switzerland) Limited CLC Holdings (Asia Pacific) Limited CLC Joint Ventures Limited CLC Marketing Limited CLC Options Management Limited Coracten Limited Diplomat Title Limited

Director

Current directorships:

Bradnew Investments Limited
British Oil Exploration Limited
Bromley Properties Limited
BT Management Limited
C T M Management Limited
Canelion Assets Limited
Cargo Inspections Group Limited
Cargo Inspections International Limited
Carnegie Minerals Limited
Catbros Investments Limited
Caulston Limited
Cavendish International Limited
Cavendish Secretaries Limited
Cavendish Square Limited
Cavendish Trust Company Limited
Cavendish Trustees Limited
CCFM Bristol & Stone Baltic Property Limited
Celebrity Software Limited
Charlwood Limited
Charterhouse Land Limited
Cherryfield Investments Limited
Claudia Property Holding Limited
Claverdon Consultants Limited
CLC (Resorts & Hotels) Limited
CLC Developments Limited
CLC Holdings Limited
CLC International Marketing Limited
CLC Investments Limited
CLC Management Holdings Limited
CLC Management Services Limited
CLC Options Developments Limited
CLC Resort Developments Limited
CLC Resort Management Limited
CLC Sales Limited
CLC Yacht Club Limited
Cliona Limited
Clooney Investments Limited
Club Sahara Limited
Connaught Investments Limited
Cora Consultants Limited
Craic Investments Limited
Crocodile Technology (UK) Limited
Crocodile Technology Limited
Cussons Nominees Limited
Daresbury Investments Limited
Deutscher Limited
Devonshire Land Limited
Diamond Creek Limited
District Investments Limited
Duchally House Resorts Limited

Previous directorships:

East Asia Cement Limited
Ebony Investments Limited
Emo Investments Limited
Enigma Investments Limited
Era Mediterranea-Propriedades Intelectuais Sociedade Unipessoal Limitada
Frostrup Miller Limited
GEM Biofrels plc
Gratis Investments Limited
Gulliver Estates Limited
Icarus Ventures Limited
Jumerata Ventures Limited
Kappa Omega Limited
Kohima Investments Limited
L & F Investments Limited
Larix Limited
Lavender Investments Limited
Lex Properties Limited
Limoges Enterprises Limited
LM Management Limited
Melsmore Limited
Mistrale Investments Limited
Monmouth Securities (Switzerland) Limited
New Angel Property Limited
Off Market Properties Club Limited
Pelham Trust Company Limited
Philimore Gardeni Limited
Portugal Street Investments Limited
Rare World Plc
Reed Investments Limited
Serofina Limited
Shorlines Studios Limited
Sodalite Properties Limited
Starweaver Limited
Tali Properties Limited
Tanzanian Oil Corporation Limited
Timeshare-Solutions Limited
Tranex Limited
W.W. Win Limited
Wellington Properties Limited
Yoxley Limited

Director

Current directorships:

Previous directorships:

Empress Limited
Energy and Resources Limited
Engelberg Investment Limited
Executive Travel Limited
Falfield Properties Limited
Fitzjames Properties Limited
Gainsford Enterprises Limited
Gamundi Limited
Gare Limited
Glinton Limited
Gold Cove Limited
Goliath Consultants Limited
Good Properties Limited
Grace Properties Limited
Granite Legacy Limited
Gratis Investments Limited
Harburnhead Limited
Harley Street Investments Limited
Harp & Crown Limited
Heartwood Investments Limited
Hervey Estates Limited
Highbury Estates Limited
Holiday (Title) Limited
Holiday Time Sharing Limited
Holsworthy Limited
Hustyns Resorts Limited
Invest Matrix Limited
Jarabella Limited
Juniper Enterprises Limited
Kedington Investments Limited
Kinsale Capital Limited
Kitwe Investments Limited
Klork Consultants Limited
Klork Estates Limited
Kwikbuild Corporation Limited
L.M. Management Limited
Labridae Investments Limited
Lailoken Limited
Land and Sea Development Limited
Latchi Investments Limited
Le Gap Films Limited
Le Mieux Investments Limited
Lexinvest Limited
Loakes Estates Limited
Loch Investments Limited
London Wall Properties Limited
Lytham Estates Limited
Marchpole Limited
Marcourt Limited
Mause Limited
Meastone Investments Limited
Medical Research Limited
Mediterranean Title Limited
Metrodome Limited

Director

Current directorships:

Previous directorships:

Module Limited
Monmouth Holdings Limited
Montgomery Estates Limited
New Kush Holdings Limited
Newenham Enterprises Limited
Nona & Company Limited
Oceans Ten Limited
Ophir Mines Limited
Palmerston Estates Limited
Pearl Investments Limited
Poolside Investments Limited
Portfolio Builder Dollar Limited
Portfolio Builder Euro Limited
Portfolio Builder Sterling Limited
Prayle Investments Limited
Primary Holdings Limited
Properties Abroad Limited
Quintile Limited
R Technology Corporation Limited
Rablare Limited
RCI South Africa Holdings Limited
Recol Services Limited
RH Management Limited
Riverway Limited
Rotary Investments Limited
Rusland Investments Limited
S.B. Properties Limited
Saddleriders Limited
Salco Services Limited
Scholastic Partners Limited
Sheinvest Limited
Shenandoah Limited
South American Investments Limited
Spurside Limited
St. Clements Lane Investments Limited
Star Enterprises 2002 Limited
Starlite Estates Limited
State Properties Limited
Strathmore Managers Limited
Swiftway Limited
Taitnys Management Limited
Ten3 Investments Limited
Ten3 Resources Limited
The Wedge Investment Company Limited
The Wooladon Estate Limited
Timeshare Wholesalers Limited
Titanio Limited
Touchstone Investments Limited
Trehearne Limited
Trenythron Manor Resorts Limited
Tukano Properties Limited

*Director**Current directorships:*

Turnberry Investments Limited
 Union Station Limited
 UVAL Investments Limited
 Vacation Resorts Limited
 Vog Design Limited
 Welford Limited
 White Poplar Limited
 Wolfhill Investments Limited
 Wrasse Properties Limited
 WSA Consultants Limited
 Wyemead Properties Limited

Previous directorships:

Pritesh Desai

Accord Partnership Limited
 Acrus Corporation
 Afortunado Investments Limited
 African Mining Operations Limited
 Ambe Limited
 Anemone Properties Limited
 Anja Property Holding Limited
 Armiji Investments Limited
 Ashglade Limited
 Ashstone Holdings Limited
 Aspaud Company Limited
 Avana Property Limited
 Avana Uranium Limited
 Barbican Properties Limited
 Baynoona Trading Limited
 Beate Property Holding Limited
 Bishops Management Limited
 Blue Sea International Limited
 Bouverie Investments Limited
 British Oil Exploration Limited
 Bromley Properties Limited
 BSI Managers
 Capital City Fund Management Limited
 Catherine Property Holdings S.a.r.l.
 Caulston Limited
 Cavendish International Limited
 Cavendish Secretaries Limited
 Cavendish Square Limited
 Cavendish Trust Company Limited
 Cavendish Trustees Limited
 Cavendish Windsor Limited
 CCFM Bristol & Stone Baltic Property Limited
 Claudia Property Holding Limited
 Clooney Investments Limited
 Concept Software Limited
 Connaught Investments Limited
 Cora Consultants Limited
 Crocodile Technology (UK) Limited
 Crocodile Technology Limited
 Crorepathi Limited

Amexi Software Limited
 Antrobus Limited
 Asian Resourcing Limited
 Bartleby Properties Limited
 Bonchance Properties Limited
 Broadcast Communications Limited
 Bushco International Limited
 Can Holdings Limited
 Caumont Finance Limited
 Cement Traders Limited
 Cheapside Properties Limited
 Choice Corporation Limited
 Clooney Investments Limited
 Crocodile Technology (UK) Limited
 Crocodile Technology Limited
 District Investments Limited
 East Asia Cement Limited
 Emo Investments Limited
 Fortune Properties Limited
 Gamundi Limited
 GEM Biofrels plc
 Gluck Investments Limited
 Goffin Investments Limited
 Greenfield Properties 1 Limited
 Kappa Omega Limited
 Kidgrove Limited
 L & F Investments Limited
 Lakh Investments Limited
 Land and Sea Development Limited
 Lavender Investments Limited
 Mahal Properties Limited
 Meastone Investments Limited
 New Angel Property Limited
 Off Market Properties Club Limited
 Philimore Gardeni Limited
 Property Sites Limited
 Prospero Property Holding Limited
 Quadris Investments Limited
 Rare World Plc
 Retreat Leisure Limited

Director

Current directorships:

Datasphere Limited
Deutscher Limited
Dholon Services Limited
District Investments Limited
Eight Investments Limited
Engelberg Investment Limited
EPIC International Property Limited
E-Ven Holdings Limited
Exclusive Club Management Limited
Exclusive Title Limited
Falfield Properties Limited
Financial Foundations Plc
Fitzjames Properties Limited
Galleon Holdings plc
GEM Biofuels PLC
Global Perspectives (Isle of Man) Limited
Goliath Consultants Limited
Grace Properties Limited
Gratis Investments Limited
Green Fuel Tech Limited
Greenfield International Property
Grey Matters Associates Limited
Fund Plc
Gulliver Estates Limited
Harbourne Estates Limited
Heartwood Investments Limited
Hervey Estates Limited
IHP Central European Development and Management Limited
Imagination Holdings Limited
Invest Matrix Limited
IomPac Limited
Jimit Investments Limited
Karma Properties Limited
Kinsale Capital Limited
Kitwe Investments Limited
Klork Consultants Limited
Klork Estates Limited
Kwikbuild Corporation Limited
Le Gap Films Limited
Le Mieux Investments Limited
Lexinvest Limited
Linus Properties Limited
Loch Investments Limited
Logistics Centre Holdings Limited
London Wall Properties Limited
Lytham Estates Limited
Markwell Property Holdings Limited
Mause Limited
Meastone Investments Limited
Mercone Limited
Metrodome Limited

Previous directorships:

Romeo Properties Limited
Shreeji Investments Limited
Tanzanian Oil Corporation Limited
The Equity Partnership Employee Benefit Trust Company Limited
Tranex Limited
Westover Properties Limited
Windom Enterprises Limited

Director

Current directorships:

Previous directorships:

Module Limited
Mogador Investments Limited
Mysti Limited
Nandan Investments Limited
New Kush Holdings Limited
Newenham Enterprises Limited
Newland Estates Limited
NIIS Investments Limited
Oceans Ten Limited
Ophir Mines Limited
Pacific International Management Limited
Pegasus Film Corporation
Portfolio Builder Dollar Limited
Portfolio Builder Euro Limited
Portfolio Builder Plc
Portfolio Builder Sterling Limited
Pownalltech Limited
Primary Holdings Limited
Properties Abroad Limited
Property Buyers Limited
Pyari Properties Limited
Quadris Environmental Fund Plc
Randville Limited
Recol Services Limited
Riverway Limited
Salco Services Limited
Samay Investments Limited
Shorlines Studios Limited
Shubh Investments Limited
Siroko Power Limited
Skada Investments Limited
Spectrum Consulting Ventures Limited
Star Enterprises 2002 Limited
State Properties Limited
Stirling Residence Limited
Stonefort Management Limited
Stovell Limited
Strathmore Managers Limited
SuperSports Cars Limited
Taitnys Management Limited
Taitnys Nominees Limited
Taitnys Secretaries Limited
Talidit Properties Limited
Telford Estates Limited
The Capital Plus Protected Fund Euro Series 1 Plc
The McNair Partnership (Middle East) Limited
Titan New World Plc
Trehearne Limited
Tukano Properties Limited
UVAL Investments Limited

Director

Current directorships:

Welford Limited
Westernstar Limited
Wohlhabend Properties Limited
Wolfhill Investments Limited
WSA Consultants Limited
Yellow Capital Limited

Previous directorships:

Christina
Rawlinson
(née Comber)

Applaud Investments Limited
Bellissima Limited
Cargo Inspections
Ceilidh Limited
Chatham Limited
Cubit Investments Limited
Enbrook Limited
Hensol Limited
International Limited
Jerusalem GP Limited
Manifest Limited
Touchstone Investments Limited

Academy Limited
Acresfield Limited
Ailsa Solihull Limited
Alderbrook Limited
Alderton Partners Limited
Alexan Limited
Alfano Limited
Alina Limited
Almark Limited
Alsina Limited
Alstone Partners Limited
Alvaro Limited
Amber Park Limited
Anglo Aviation Limited
Anglo Irish Trust (IOM) Limited
Antigo Limited
Apollomia Limited
Archoff Limited
Ariel Enterprises Limited
Arner Limited
Arta Group Limited
Arvan Limited
Ashbourne Beech Property Limited
Ashbourne Cedar Property Limited
Ashbourne No 1 Limited
Ashbourne No 2 Limited
Ashbourne Property Limited
Ashbourne Property No.2 Ltd
Aston Partners Limited
Atlantic Park Limited
Autumn Park Limited
Avantier Enterprises Limited
Balcombe Limited
Bandler Limited
Barella Limited
Baros Enterprises Limited
Barsan Limited
Baytown Limited
Baytown Properties PCC Limited
Beckdale Limited
Berkeley (Carnwath Road) Limited
Berkeley Investments (IOM)
Limited
Betpoint Limited
Bingham Limited
Birchleigh Limited
Bisley Partners Limited

Director

Current directorships:

Previous directorships:

Bjork Overseas Limited
Borneal Limited
Bradfield Limited
Bridgestream Limited
Brimpsfield Partners Limited
Bruce Betting (Isle of Man)
Limited
BSP Keyboards Limited
Buckland Partners Limited
Bugnano Condominium Company
Limited
Burwell Limited
Cambridge Place (Securities)
Limited
Cambridge Place CDO (Isle of
Man) Limited
Cansas Investments Limited
Carenza Limited
Carlito Limited
Carloway Limited
Castlebay Limited
Castlelyon Limited
Charnock Limited
Chedworth Partners Limited
Cherington Partners Limited
Clearmount Investments Limited
Cobra Shores Limited
Collingwood Limited
Commander Shipping Limited
Compton Limited
Computer Associates Limited
Confidence Shipping Limited
Copperwood Limited
Coralmar Limited
Courtway Limited
CP Investments (General Partner)
Limited
Crystal Horizon Limited
Damron Limited
Danethorpe Limited
Dante Limited
Dazar Unlimited
DB System Trade Limited
Denaway Limited
Denbigh Developments Limited
Diamond Lady Limited
Dill Limited
Dino Limited
Dodman Limited
Dorset London West Limited
Driscoll Limited
Dulson Unlimited
Dumford Limited
E H Holdings Limited

Director

Current directorships:

Previous directorships:

Eagle Welwyn City LLC
East London Residential Property Limited
Eastfield Park Limited
Ebttikar Limited
Echo Point Limited
Edenderry Limited
Electro Technology Systems Limited
Elm Park Properties Limited
EMC Payor Limited
Employee Plan General Partner Limited
Endfield Park Limited
Energy Holdings Limited
Equiom Corporate Services Limited
Equiom Nominees (Trusts) Limited
Equiom Nominees Limited
Equiom Trust Company Limited
Ernst & Young Holdings Limited
EWM Limited
Exeter Shipping Limited
Fanorder Limited
Fellstar Limited
Fenlay Limited
Follingworth Limited
Force Majeure Consulting Limited
Fortino Limited
Frampton Limited
Freshford Partners Limited
Futurian Limited
Ganges Investments Limited
Gannon Farnham Guildford Limited
GBM Limited
Gila Limited
Gilbertstown Limited
GIP Company Limited
Glass of Beer Limited
Gleniffer Limited
Glenthorn Limited
Global Consulting Services (IOM) Limited
Goldhill Limited
Grace Investments Limited
Graphex Limited
Grayson Limited
Greet Partners Limited
Gretton Partners Limited
Greyfriar Limited
Hadleyville Limited
Hadrian Limited
Hadstock Limited
Hanso Limited
Hanwell Limited

Director

Current directorships:

Previous directorships:

Harston Limited
Hashamach Limited
Haversham Limited
Hawling Partners Limited
Hazel View Limited
Hazelbury Limited
Heywood Park Limited
Hickleton Limited
Highford Limited
Hogarth Limited
Irtton Properties Limited
Jarvo Limited
Jarwood Limited
JC Payor Limited
Jimzola Limited
Jubilee Limited
Kailas Communications Limited
Karolina Investments Limited
Keiko Limited
Keith Wood Promotions Limited
Kendra Limited
Kentwell Limited
Kerelem Limited
Kerneski Limited
Kiel Limited
Kildon Limited
Kilone Limited
Kingsholm Limited
Koban Limited
Krypton Enterprises Limited
Kyvis International Limited
Ladyland Limited
Laine Limited
Lambley Park Limited
Lansley Limited
Laurel Dawn Limited
Leftfield Limited
Leixlip Limited
Lemarate Properties Limited
Lenmore Trading Ltd
Leslington Limited
Liam Brady Promotions Limited
Littleton Limited
Longbay Limited
Luxton Limited
Malokan Limited
Mariella Limited
Marine & Fuel Marketing (IOM)
Limited
Marisco Limited
Martlet Company Limited
Maya Hyde Park Limited
Maypark Limited

Director

Current directorships:

Previous directorships:

Maypark One Limited
Mellor Limited
Melody Limited
Merryvale Limited
Mollington Limited
Moreton Limited
Moyville Enterprises Limited
Newbury Trustee No 1 Limited
Newbury Trustee No 2 Limited
Nocturne Limited
Norminster Limited
Northrise Limited
NYX Interactive Network IOM Limited
Oakby Limited
Oakford Property Company Limited
OTR Global Research Limited
P.K. Enterprises Limited
Pactolus (IOM) Limited
Pactolus Hungarian Property PLC
Padlock Limited
PDC Agencies Limited
Pelman Investments Limited
Pentagon Investments Limited
Petersen Limited
Polar Dawn Limited
Portwall One Limited
Prada Limited
Q Technologies, Ltd
Quadrille Investments Limited
Quill Hemel Hempstead Limited
R.S. & B.S. Limited
Rail Road Consultants Limited
Rebilac Limited
Rebilac Management Limited
Red Forest Limited
Redbridge Limited
Redcastle Capital Limited
Redhall Limited
River Court Properties Limited
Rockware Limited
Rodmarton Partners Limited
Roseacre Limited
Rosina Limited
Rotcher Limited
Rutilus Investments Limited
Sable Limited
Salado Enterprises Limited
Sandywell Limited
Sarando Limited
Sartor Limited
Seaford Limited
Seagrove Limited

Director

Current directorships:

Previous directorships:

Shelford Limited
Sheps (PHFL) Limited
Shiu Kwong Limited
Shiu Wing Limited
Shoreacres Limited
Silver Limited
Skyelady Limited
Southam Partners Limited
Stanford Services Limited
Stanton Limited
Starcrest Limited
Starr Street Limited
Starzan Limited
Steel Transporter Limited
Street 45 Limited
Sussex Estates Limited
Tabella Limited
Tailored Solutions Limited
Tailwind Parcel Tankers Limited
Tajka Limited
Talca Enterprises Limited
Talent Investment Limited
Tango Investments Limited
Tarlton Partners Limited
Tasman (UK) Limited
Tasman Limited
Taunton Limited
Tenza Guildford Leatherhead Limited
TES Company Limited
Thoas Ventures Limited
Thorstone Limited
Thrupp Partners Limited
Tiger Bay Limited
Timmis Limited
Tinas Investments Limited
Topwell Limited
Troyden Limited
Turiminola Limited
Two Plus Three Limited
Vadine Limited
Varadan Limited
Villa Park Limited
Vollers Payor Limited
Volmand Limited
Wargrave Partners Limited
Wendmore Limited
Westmill Limited
Westow Limited
Whitcombe Limited
White Flame Limited
Whitehead Limited
Wilpot Limited
Winsley Limited

Director

Current directorships:

Previous directorships:

Winterridge Limited
Woodview Limited
Yarmouth Limited
Yoconaya Limited
Zoneff Limited

- 8.2 Save as set out in paragraphs 8.1, 8.3, 8.4 and 8.5 of this Part IV none of the Directors has:
- 8.2.1 had any previous names;
 - 8.2.2 any unspent convictions in relation to indictable offences;
 - 8.2.3 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 8.2.4 been a director of a company which has been placed in receivership, insolvent liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - 8.2.5 been a partner in any partnership which has been placed in insolvent liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.2.6 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.2.7 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);
 - 8.2.8 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company; or
 - 8.2.9 any actual or potential conflict of interest between their duties for the Company and their private interest or other duty.
- 8.3 Graham Lay was appointed as a director of IDMoS Plc on 16 July 2007 and IDMoS Plc was put into administration by the directors on 16 April 2008.
- 8.4 On 10 June 1999 the US Securities and Exchange Commission (“the SEC”) completed an inquiry relating to two press announcements issued by British Biotech PLC in 1995 and 1996 while James Noble was its finance director. The SEC then filed an administrative complaint that those announcements and related periodic reports filed with the SEC were inaccurate and omitted to state material facts necessary to make the statements made therein not misleading. Under a final settlement reached with the SEC in June 1999, British Biotech PLC and three of its then directors, including Mr Noble, agreed to the entry of an administrative order to continue to adhere to U.S. securities laws. While the order found that the three former directors had violated U.S. securities laws, the settlement involved no admission or denial by either British Biotech PLC or the three former directors of the SEC’s allegations.
- 8.5 James Noble was appointed as a director of Axellis Limited on 31 January 2008; Axellis Limited entered into a creditors’ voluntary liquidation on 26 July 2010. The net liabilities of Axellis Limited were approximately £1,147,000. The joint administrators recovered £125,000 plus VAT from the sale of certain assets of Axellis Limited and its subsidiaries.

9. Material Contracts

9.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date immediately preceding the date of this document and are, or may be, material:

9.1.1 The Placing Agreement dated 26 October 2010 made between (1) the Company, (2) the Directors and (3) finnCap pursuant to which:

- (a) finnCap has been appointed as the Company's nominated adviser for the purposes of the AIM Rules, and as the Company's broker for the purpose of Rule 35 of the AIM Rules. finnCap's appointment as nominated adviser and broker is terminable by either party on the provision of not less than 3 months' written notice, provided such notice does not expire before 12 months from the date of Admission. In consideration of finnCap's appointment as nominated adviser and broker the Company has agreed to pay finnCap an annual retainer; and
- (b) finnCap has agreed conditionally upon, *inter alia*, Admission taking place by no later than 22 November 2010 (or such later date as the Company and finnCap may agree not being later than 30 November 2010) to use its reasonable endeavours to procure placees for the Placing Shares. Under the terms of the placing, nominated adviser and broker agreement the Company has agreed to pay finnCap a corporate finance fee and a commission of 5 per cent. of the aggregate value of the Placing Shares subscribed for at the Placing Price by investors procured by finnCap and a commission of 1 per cent. in relation to investors not procured by finnCap. finnCap has agreed to take a proportion of its corporate finance fee by way of the Subscription Shares.

The Placing Agreement contains certain representations and warranties and an indemnity from the Company and certain limited warranties from the Directors in favour of finnCap, together with provisions which enable finnCap to terminate its obligations in respect of the Placing (other than in respect of the Initial Placing Shares) prior to Admission in certain circumstances, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The agreement also contains lock-in arrangements in respect of the Directors on similar terms to those set out in paragraph 9.1.2 below of this Part IV.

9.1.2 Lock-in arrangements dated 26 October 2010 between each of Evolve and Scottish Enterprise, the Company and finnCap pursuant to which each of Evolve and Scottish Enterprise gave undertakings to the Company and finnCap that they will not dispose of any of the Ordinary Shares (or of any interest therein) held by them and by their connected persons for the period of 12 months from the date of Admission (subject to certain limited exceptions) and thereafter for a further 12 months they will not dispose of any of the Ordinary Shares (or any interest therein) held by them or their connected persons, other than with the prior written consent of finnCap, such consent not to be unreasonably withheld or delayed and then only through a broker nominated or approved by finnCap.

9.1.3 The Company has executed the Loan Note Instrument to create the Loan Notes, which were subscribed for pursuant to various applications for subscription. The terms of the Loan Notes are as follows:

- (a) Interest is payable on the Loan Notes at a rate of 5 per cent. per annum.
- (b) On Admission, the whole of the outstanding Loan Notes shall automatically convert into Ordinary Shares. The Ordinary Shares arising on conversion of all or any part of the outstanding Loan Notes shall be credited as fully paid and rank *pari passu* with the Ordinary Shares in issue on the date of issue and shall carry the right to receive

all dividends and other distributions declared after or by reference to any record date after the date of issue. At conversion, any interest that has accrued and is owed will also be converted.

- (c) The Company shall procure that the Ordinary Shares allotted and issued on such conversion shall be admitted to AIM.
- (d) Any conversion shall be effected by the Company being deemed to have repaid the amount of the outstanding loan to be converted and the Loan Note Holder being deemed to have applied such sum in subscribing at the lower or 15 pence per share or the price which is 25 per cent. below the price at which the Company raises funds immediately prior to or at Admission per Ordinary Share (with fractional entitlements to Ordinary Shares being ignored).
- (e) The Loan Note Holders may transfer the Loan Notes to a third party subject to certain restrictions.

If Admission has not occurred by 31 December 2011 then the Loan Notes shall be redeemed.

9.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by CarieScan within the period from incorporation to the date immediately preceding the date of this document and are, or may be, material:

- 9.2.1 A business acquisition agreement dated 20 June 2008 between (1) CarieScan (2) ID MOS plc (in administration) and (3) ID MOS Dental Systems Limited (in administration) (the “**Acquisition Agreement**”) whereby, CarieScan acquired certain assets (including intellectual property and stock but excluding creditors) from the companies’ administrators. CarieScan paid an initial consideration of £50,000 upon completion of the agreement and undertook to pay a further £150,000 on the earlier of (1) the Company’s shares being admitted to trading or dealing on any securities market and (2) six months after completion of the business acquisition agreement. As this was a disposal by company administrators, no warranties or representations were given to the Company. The agreement was amended in January 2009 extending the period for payment of the deferred consideration and increasing the deferred consideration to £156,000, of which £52,000 was paid on 6 January 2009 and £104,000 was paid on 16 February 2009.
- 9.2.2 An assignment dated 6 April 2009 pursuant to which CarieScan transferred title to the intellectual rights to the Technology to the Company in consideration of payment of £19,252. CarieScan has provided the Company with warranties in relation to the Technology.
- 9.2.3 An exclusive distributorship agreement (the “**Clark Dental Agreement**”) dated 10 July 2009 between CarieScan and Clark Dental Equipment Systems Limited (“**Clark Dental**”) whereby CarieScan agreed to provide units of the CarieScan PRO™ to Clark Dental for exclusive distribution by Clark Dental in the UK. The price per unit is to be set out on CarieScan’s sales order form from time to time. The Clark Dental Agreement shall continue until terminated by either party on not less than three months notice. CarieScan has agreed to indemnify Clark Dental in respect of losses arising from the infringement by CarieScan of the intellectual property of a third party. The liability of CarieScan in respect of defective products is 125 per cent. of the purchase price of such products and its total liability under the Clark Dental Agreement is limited to £100,000. CarieScan has provided Clark Dental with various product warranties.
- 9.2.4 A supplier technical agreement dated 27 October 2009 between CarieScan and Interplex PMP Limited (“**Interplex**”) for the manufacture by Interplex of the CarieScan PRO™ 2 Introduction file. The price per unit is as set out on a purchase order issued by CarieScan.

- 9.2.5 An agreement (“**Le Verdon Agreement**”) dated 1 January 2010 between CarieScan and EURL Le Verdon Consulting (“**Le Verdon**”) for the preparation by Richard Whatley of a distribution proposal to the Patterson Dental group. Pursuant to the Le Verdon Agreement, CarieScan agreed to pay to Le Verdon a retainer of £1,000 per month and an additional one-off fee of £20,000 on the signing of a formal distribution agreement with Patterson Dental Holdings Inc.
- 9.2.6 An agreement (the “**Nigel Pitts Agreement**”) dated 1 January 2010 between CarieScan and Nigel Pitts for, amongst other things, the preparation by Nigel Pitts of a distribution proposal to Patterson Dental group, the chairmanship of Nigel Pitts of the CarieScan Scientific Advisory Board and the establishment of formal business and research relationships between CarieScan and certain universities. Pursuant to the Nigel Pitts Agreement, CarieScan agreed to pay to Nigel Pitts an initial retainer of £1,000 per month, to be replaced by a monthly payment of £4,167 following the establishment of the CarieScan Scientific Advisory Board, and an additional one-off fee of £110,000 on the signing of a formal distribution agreement with Patterson Dental Holdings Inc.
- 9.2.7 An exclusive distributorship agreement (the “**Patterson Agreement**”) dated 28 June 2010 between CarieScan and Patterson Dental Holdings, Inc., (“**Patterson**”) whereby CarieScan agrees to provide units of the CarieScan PRO™ and certain complementary products to Patterson for exclusive distribution by Patterson in the USA. The Patterson Agreement is for an initial period of two years, subject to a further two year renewal period (as explained below). During the term, Patterson, its subsidiaries and its affiliates are under an obligation not to distribute any competing products. The Patterson Agreement is terminable by either party on not less than 90 days’ written notice in advance of the end of the initial term or the renewal term, as appropriate. Earlier termination may occur on the occurrence of certain events as set out in the agreement, including the insolvency of a party. CarieScan has agreed to indemnify Patterson in respect of losses arising from any defect in the units supplied by CarieScan or infringement by CarieScan in respect of CarieScan PRO™ of the intellectual property of a third party. The liability of each party is limited to \$5,000,000 and CarieScan has provided Patterson with various product warranties.
- 9.2.8 A supplier technical agreement dated 3 August 2010 between CarieScan and SKF (UK) Limited (“**SKF**”) for the manufacture by Interplex of the CarieScan PRO™ Introduction file. The price per unit is as set out on a purchase order issued by CarieScan.
- 9.2.9 An exclusive distributorship agreement (the “**Patterson Canada Agreement**”) dated 1 August 2010 between CarieScan and Patterson Dental (“**Patterson Canada**”) whereby CarieScan agrees to provide units of the CarieScan PRO™ and certain complementary products to Patterson Canada for exclusive distribution by Patterson Canada in Canada. The Patterson Canada Agreement is for an initial period of two years, subject to a further two year renewal period (as explained below). During the term, Patterson Canada, its subsidiaries and its affiliates are under an obligation not to distribute any competing products. The Patterson Canada Agreement is terminable by either party on not less than 90 days’ written notice in advance of the end of the initial term or the renewal term, as appropriate. Earlier termination may occur on the occurrence of certain events as set out in the agreement, including the insolvency of a party. CarieScan has agreed to indemnify Patterson Canada in respect of losses arising from any defect in the units supplied by CarieScan or infringement by CarieScan in respect of CarieScan PRO™ of the intellectual property of a third party. The liability of each party is limited to \$5,000,000 and CarieScan has provided Patterson Canada with various product warranties.
- 9.2.10 A manufacturing and supply agreement (“**SKF CMC Agreement**”) between CarieScan and SKF Condition Monitoring Centre (Livingston) Limited (“**SKF CMC**”) for the manufacture and supply of the CarieScan Pro™ by SKF CMC. The SKF CMC Agreement is stated to run for an initial period of two years, subject to further periods as agreed by the parties. In any event, the SKF CMC Agreement is terminable by either party on not less than three months

notice. Each party has agreed to indemnify the other in respect of losses arising from infringement by the other party of the intellectual property of a third party. The liability of SKF CMC is limited to the higher of the payment price or the amount actually paid by insurers and SKF CMC has provided CarieScan with various product warranties. This agreement is currently undated but reflects the basis upon which the CarieScan PRO™ is being manufactured and supplied by SKF CMC.

10. Intellectual Property

The Company is the legal owner of the underlying intellectual property of the Technology. Such intellectual property is protected by various patents and registered design rights.

11. Legal and Arbitration

Neither the Company nor any other member of the Group is are involved in any legal, governmental or arbitration proceedings which may have or have had since incorporation a significant effect on the Company's or the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

12. Isle of Man

12.1 *Isle of Man summary*

The Isle of Man is an internally self-governing dependent territory of the British Crown. It is politically and constitutionally separate from the UK and has its own legal system and jurisprudence based on English common law principles. The UK Government is, however, responsible for the Island's foreign affairs and defence and, with the Island's consent, the UK Parliament may legislate for the Island in some areas of common concern (such as nationality and immigration matters).

The Isle of Man's relationship with the European Union is set out in Protocol 3 of the Act of Accession annexed to the Treaty of Accession 1972, by virtue of which the UK became a member of the European Community. The Island is neither a member state nor an associate member of the European Community. By virtue of Protocol 3, the Island is part of the customs territory of the EU. Therefore the common customs tariff, levies and other agricultural import measures apply to trade between the Island and non-member countries. There is free movement of goods and agricultural products between the Island and the EU, but the EU provisions which relate to trade in financial services and products and those in respect of the free movement of persons, services and capital do not apply to the Island. Consequently, European Community law has direct application to the Island only for very limited purposes.

12.2 *Corporate law in the Isle of Man*

The Isle of Man Companies Act 2006 came into force on 1 November 2006 and introduced a new simplified Isle of Man corporate vehicle (based on the international business company model available in a number of other jurisdictions). The Act is largely a stand alone piece of legislation and companies incorporated under the Act ("**2006 Companies**") co-exist with present and future companies incorporated under the existing Isle of Man Companies Acts 1931-2004 ("**1931 Companies**").

(a) *Key Features of a 2006 Company*

A 2006 Company is a legal entity in its own right, separate from its members, and will continue in existence until it is dissolved in the same way as 1931 Companies.

Every 2006 Company is required, at all times, to have:

- (i) a registered agent in the Isle of Man who holds the appropriate licence granted by the Isle of Man Financial Supervision Commission (ensuring that there is a licensed professional on the Isle of Man overseeing the administration of the company); and

(ii) a registered office address in the Isle of Man.

(b) *Power and Capacity*

The doctrine of ultra vires does not apply to 2006 Companies. The Act expressly states that, notwithstanding any provision to the contrary in a company's memorandum or articles of association and irrespective of corporate benefit and whether or not it is in the best interests of a company to do so, a company has unlimited capacity to carry on or undertake any business or activity, to do, or to be subject to, any act or to enter into any transaction.

Notwithstanding this, the directors of 2006 Companies are still subject to the various duties imposed on directors by common law and statute as well as fiduciary duties (such as the duty to act *bona fide* in the best interests of the company).

(c) *Directors*

Unlike a 1931 Company, a 2006 Company is permitted to have a single director which may be an individual or, subject to compliance with certain requirements, a body corporate.

(d) *Members*

The Act contains very few prescriptive rules relating to members' meetings. Companies are not required to hold annual general meetings and the Act allows members meetings to be held at such time and in such places, within or outside the Isle of Man, as the convener of the meeting considers appropriate. However, as is the case with the Company's constitutional documents (see sub-paragraph 5.1(o) above (General Meetings)), more prescriptive requirements relating to members' meetings can be included in a company's articles of association.

Subject to contrary provision in the Act or in a company's memorandum or articles, members exercise their powers by resolutions:

- (i) passed at a meeting of the members; or
- (ii) passed as a written resolution.

The Company has undertaken not to use the written resolution procedure while its shares are traded on AIM.

The concept of "ordinary", "special" and "extraordinary" resolutions is not recognised under the Act and resolutions passed at a members meeting only require the approval of a member or members holding in excess of 50 per cent. of the voting rights exercised in relation thereto. However, as permitted under the Act, the Company's articles of association incorporate the concept of a "special resolution" (requiring the approval of members holding 75 per cent. or more of the voting rights exercised in relation thereto) in relation to certain matters.

(e) *Shares*

The provisions relating to shares and share capital in the Act are more relaxed than the equivalent provisions applying to 1931 Companies.

The Act provides that shares in a company may (without limitation):

- (i) be convertible, common or ordinary;
- (ii) be redeemable at the option of the shareholder or the company or either of them;
- (iii) confer preferential rights to distributions;
- (iv) confer special, limited or conditional rights, including voting rights; or
- (v) entitle participation only in certain assets.

(f) *Distributions and the Solvency Test*

The Act introduces a new definition of “distribution” in relation to a distribution by a 2006 Company of its assets to its members. A “distribution” essentially means the direct or indirect transfer of company assets or the incurring of a debt by a company to or for the benefit of a member and includes the payment of dividends and the redemption, purchase or other acquisition by a company of its own shares.

The Act permits the directors of a company to authorise a distribution by the company to its members at such time and of such amount as they think fit if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test.

A company satisfies the “solvency test” if:

- (i) it is able to pay its debts as they become due in the normal course of its business; and
- (ii) the value of its assets exceeds the value of its liabilities.

The solvency test replaces the traditional capital maintenance requirements which apply to 1931 Companies. Provided that the solvency test has been satisfied, dividends may be paid and shares redeemed or purchased out of any capital or profits of the company.

(g) *Accounting Records*

The accounting requirements imposed on 2006 Companies under the Act are far less prescriptive than those imposed on 1931 Companies. The Act simply requires a company to keep reliable accounting records which:

- (i) correctly explain the transactions of the company;
- (ii) enable the financial position of the company to be determined with reasonable accuracy at any time; and
- (iii) allow historical financial information to be prepared.

(h) *Offering Documents*

The Act does not distinguish between public and private companies and (subject to any restrictions in a company’s memorandum or articles of association) a 2006 Company can offer its securities to the public.

The Act requires the directors of a 2006 Company to ensure that any offering document issued in relation to that company:

- (i) contains all material information relating to the offer or invitation contained therein (i) that the intended recipients would reasonably expect to be included therein in order to enable them to make an informed decision as to whether or not to accept the offer or make the application referred to therein; and (ii) of which the directors or proposed directors were aware at the time of issue of the offering document or of which they would have been aware had they made such enquiries as would have been reasonable in all the circumstances; and
- (ii) sets out such information fairly and accurately.

(i) *Statutory Books*

Originals or copies (as appropriate) of various documents, including the constitutional documents, statutory books and accounting records of a 2006 Company, are required to be kept at the office of the 2006 Company’s registered agent.

Compulsory acquisition procedure

A compulsory acquisition procedure is set out in section 160 of the Act. Where a scheme or contract involving the transfer of Ordinary Shares by the Company to another person (the “transferee”) has been approved by the holders of not less than 90 per cent. in value of the shares

affected within the 16 weeks after the offer being made, the transferee may, at any time within 8 weeks after the transferee has acquired or contracted to acquire the Ordinary Shares, give notice in the prescribed manner to any dissenting Shareholder that it desires to acquire such dissenting Shareholders' Ordinary Shares, and where such notice is given the transferee shall, unless (on application made by the dissenting Shareholder within one month from the date on which the notice is given) the court thinks fit to order otherwise, be entitled and bound to acquire those Ordinary Shares on terms which under the scheme or contract the Ordinary Shares of the approving Shareholders are to be transferred to the transferee (or on such terms as may be permitted by variation under the Act in certain circumstances).

Where such a notice has been given by the transferee and the court has not, on application made by the dissenting Shareholder, ordered to the contrary or any pending application to the court by the dissenting Shareholder has been disposed of, the transferee shall send a copy of the notice to the Company and pay or transfer to the Company the consideration representing the price payable for the Ordinary Shares which the transferee is entitled to acquire and the Company shall thereupon register the transferee as the holder of those Ordinary Shares. The Company shall be required to hold such sums in a separate bank account on trust for the dissenting Shareholders.

United Kingdom Taxation

- 12.3 The following paragraphs include advice received by the Directors about the tax position of shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their Ordinary Shares as investments and not as an asset of a financial trade. The comments below are based on current legislation and HM Revenue and Customs practice and do not constitute an exhaustive list. They are intended only as a general guide and do not constitute advice to any shareholder on his or her personal tax position and may not apply to certain classes of investor (such as dealers or UK insurance companies). **Any investor who is in doubt as to his or her tax position and in particular, those who are subject to taxation in a jurisdiction other than the United Kingdom, is strongly advised to consult his or her professional adviser.**

12.3.1 Tax residence in the Isle of Man

The Company is incorporated in the Isle of Man and on the basis that it is also controlled and managed from that territory then it should be Isle of Man resident for tax purposes (and not UK tax resident). Should the Company's tax residence move to the UK, it will be subject to UK corporation tax. The Company's subsidiaries will be subject to corporation tax within the jurisdictions that they are tax-resident.

12.3.2 Capital Taxes in the Isle of Man

The Isle of Man has a regime for the taxation of income, but there are no capital duty, stamp taxes or inheritance taxes in the Isle of Man. No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue or transfer of, or any other dealing in, Ordinary Shares.

12.3.3 Zero rate of corporate income tax in the Isle of Man

- 12.3.3.1 The Isle of Man operates a zero rate of tax for most corporate taxpayers. This will include the Company. Under the current regime and assuming the activities of the Company are as anticipated, the Company will technically be subject to taxation on its income in the Isle of Man, but the rate of tax will be zero; there will be no withholding to be made by the Company on account of Isle of Man tax in respect of dividends paid by the Company.
- 12.3.3.2 The Company will be required to file an annual return with Companies Registry and pay an annual fee of £360.
- 12.3.3.3 Notwithstanding the zero rate of corporate tax, there are measures in place to ensure that Isle of Man resident shareholders are subject to Isle of Man income tax on their share of undistributed corporate profits. The "Attribution Regime for Individuals" requires shareholders resident in the Island to pay a charge based on their proportionate interest in undistributed profits where the company in which they hold shares does not meet certain minimum

distribution targets. However, upon Admission, the Company will obtain the benefit of an exemption from this regime that is afforded to companies whose shares are traded on a recognised stock exchange.

12.3.4 *Deductions in respect of Isle of Man employees*

The application of the zero rate of corporate income tax described above does not affect the obligation of a company to deduct and account for income tax under the Isle of Man Income Tax (Instalment Payments) Act 1974 or national insurance contributions, if applicable, although this is not expected to be relevant to the Company as it does not have, nor does it currently intend to engage, any Isle of Man employees.

12.3.5 *Isle of Man probate*

In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man government.

12.3.6 *Taxation of Dividends*

12.3.6.1 Under current Isle of Man tax legislation, no tax is required to be withheld from dividend payments by the Company.

12.3.6.2 A UK resident shareholder who is an individual will be entitled on receipt of an Isle of Man dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit), provided that the individual owns less than 10 per cent. of the issued share capital, or any class of share.

12.3.6.3 The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax is 10 per cent. Accordingly, the tax credit will discharge such shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that shareholder's liability to UK income tax, such shareholder will not be entitled to claim payment of the excess from HM Revenue and Customs.

12.3.6.4 The rate of income tax payable on such dividends by a UK individual shareholder whose total taxable income is between £37,401 and £150,000, including the dividend and associated tax credit, in the year to 5 April 2011, is 32.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the actual dividend received. Shareholders with total taxable income in excess of £150,000 will pay 42.5 per cent. on dividends, an effective rate of 36.1 per cent.

12.3.7 *Inheritance Tax ("IHT") Relief*

Ordinary shares in companies admitted to trading on AIM, such as the Company, generally qualify for 100 per cent. IHT Business Property Relief provided that they meet the definition of relevant business property at s105 IHTA 1984. The shares must also have been held for two years prior to an event giving rise to a potential charge of IHT. Any shareholder who has any doubts as to his IHT position should consult a professional adviser, especially before making any gift or transfer of shares.

12.3.8 *Capital gains tax*

12.3.8.1 Changes to the structure of capital gains tax ("CGT") for individuals, trustees and personal representatives were introduced on 6 April 2008, including changes to the rules relating to the holding of shares.

12.3.8.2 A disposal of shares is generally treated on a pooling basis for the purpose of calculating gains chargeable to tax.

- 12.3.8.3 In addition, gains made by individuals, trustees and personal representatives may be subject to CGT, at 18 per cent. for basic rate taxpayers and at 28 per cent. for higher rate taxpayers, trustees and personal representatives. Entrepreneurs Relief may be available if certain criteria are met by shareholders and by the Company. Any shareholder who has any doubts about his CGT position should consult a professional adviser, especially before making any disposal of shares.

12.3.9 *Enterprise Investment Scheme (“EIS”) and Venture Capital Trust (“VCT”) approval*

The Company has received provisional clearance from HMRC that the new shares to be issued will meet the investor company requirements for the EIS and VCT legislation.

12.3.9.1 EIS Income tax relief

Individual investors eligible for EIS relief may be entitled to claim 20 per cent. income tax relief on the New Ordinary Shares subscribed for, up to a maximum subscription of £500,000 in any tax year. The investor may be able to relate back part of the EIS subscription, to be treated as made in the previous tax year and claim the tax relief in that year. The amount carried back cannot exceed the unused balance of the EIS limit for the previous year.

12.3.9.2 Loss Relief

Subject to certain conditions, tax relief is available for a qualifying shareholder who realises a loss on a disposal of ordinary shares on which EIS income tax relief (see paragraph 12.3.9.1 above) has been given and not withdrawn or CGT deferral relief (see paragraph 12.3.9.4 below) has been given and not withdrawn. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against a qualifying gain in the year of loss or following years or offset against taxable income in the tax year in which the disposal occurs or the preceding year.

12.3.9.3 Capital Gains Tax exemption

Provided qualification for the EIS relief is maintained by the Company and by the individual investor for the relevant periods, broadly three years after the share issue, a profit made by the individual investor on disposal of the shares after three years will be free of capital gains tax.

12.3.9.4 EIS Capital Gains Tax Deferral

Individuals and certain trustees subscribing for New Ordinary Shares may be entitled to claim deferral of tax on capital gains realised on assets disposed of within three years before, and up to one year after, the investment. The relief allows a shareholder to defer part or all of a gain made on a disposal that would normally crystallise a charge to tax. The amount of gain that can be deferred is restricted to the amount of the subscription, but there is no overall limit on the amount of the deferred gain. The deferred gain falls into charge when the subscribed shares are disposed of.

12.3.9.5 EIS Tax Relief Certificates

Should any investors be seeking to claim EIS tax relief, the Company will arrange for the relevant tax certificates to be issued to those eligible investors who request them.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.

12.3.10 *UK corporate shareholders*

A shareholder that is a UK resident company will in general not be liable to UK Corporation Tax on dividends received on Ordinary Shares held. If the shares are held by a small UK-resident Company in an Isle of Man resident company then this will not be the case and further professional advice should be sought at the relevant time.

12.3.11 *Chargeable gains – corporate shareholders*

Any chargeable gains arising on future share disposals by a UK resident company may be subject to corporation tax depending on the availability, or otherwise, of the substantial shareholdings exemption.

13. General

- 13.1 The total cash costs and expenses in relation to the Placing and Admission payable by the Company are estimated to amount to approximately £390,000 (excluding VAT).
- 13.2 Except as disclosed in paragraph 9.2 of this Part IV of this document and for the advisers named on page 8 of this document no person has received, directly or indirectly, from the Company during the twelve months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after the start of the trading on AIM, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the price or any other benefit to a value of £10,000 or more.
- 13.3 Neither the Company, CarieScan nor CarieScan LLC are party to any service contracts which provide benefits on termination.
- 13.4 Save as disclosed in Parts I, II and III of this document, as far as the Directors are aware there are no known trends, uncertainties, demands or events that are reasonably expected to have a material effect on the Company's prospects for at least the current financial year.
- 13.5 Save as disclosed in this document as regards each financial year covered by the historical financial information contained in Part III of this document, the Company has had no principal investments and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 13.6 Save as disclosed in paragraphs 9 and 10 of this Part IV of this document, there are no patents, intellectual property rights, licences or any industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the business or profitability of the Company.
- 13.7 Save as disclosed in Parts I, III and IV of this document in respect of the contracts signed with Patterson, there has been no significant change in the financial or trading position of the Company which has occurred since 30 June 2010, the date of the Financial Information in Part III of this document.
- 13.8 Deloitte LLP, which has acted as the auditor to the Group since the Company's establishment, has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report in Part III in the form and context in which it is included and hereby authorises the contents of its accountant's report for the purposes of Schedule Two to the AIM Rules. Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales.
- 13.9 finnCap Ltd has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

Working Capital

- 13.10 The Directors are of the opinion that, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Company on Admission, will be sufficient for the present requirements of the Group, that is, for at least for the next 12 month period following Admission.

Employees

13.11 As at the date of this document, excluding Directors, the Group has 20 employees.

Documents available for inspection

13.12 Copies of this document, the memorandum and articles of association, reports contained in this document, and the audited annual accounts for the previous two years will be available free of charge to the public during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the offices of Marriott Harrison at Staple Court, 11 Staple Inn Buildings, London WC1V 7QH and shall remain available for one month after the date of Admission.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3D DIAGNOSTIC IMAGING PLC

(the “Company”)

(Incorporated and registered in the Isle of Man under the Companies Act 2006 with registered number 002845V)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of 3D Diagnostic Imaging plc (the “Company”) will be held at the offices of the Company at 34 North Quay, Douglas, Isle of Man, IM1 4LB at 10.00 a.m. on 19 November 2010 to consider the following resolution to be proposed as a Special Resolution (as the same is defined in the Articles of Association of the Company (the “Articles”)):

SPECIAL RESOLUTION

THAT

- (A) pursuant to Article 5.2 of the Articles, the directors of the Company be and are hereby authorised to allot and issue a total of 44,903,318 ordinary shares of 0.1 pence each (“Ordinary Shares”) for cash pursuant to the terms of the Admission Document issued by the Company and dated 26 October 2010 (a copy of which is produced to the meeting and initialled by the Chairman for identification) as if the rights of pre-emption set out in Article 5.2 of the Articles do not apply to such allotment and issue of Ordinary Shares; and
- (B) the admission of all of the Company’s ordinary shares to PLUS-quoted be cancelled.

By Order of the Board

Registered Office:

34 North Quay
Douglas
Isle of Man
IM1 4LB

Director

26 October 2010

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her place. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed with this notice. Instructions for use are shown on the form. The completion and return of a Form of Proxy will not prevent a member from attending and voting in person at the meeting. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company or contained in an Electronic Communication. Any power of attorney or any other authority under which the Form of Proxy is signed (or a notarily certified copy of such power or authority) must be included with the Form of Proxy.
3. To be valid, this form and any power of attorney or other authority (if any) under which it is executed (or a notorially certified copy of any such power or authority), must be returned by one of the following methods: by post, to Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES or, in the case of CREST members, by using the CREST electronic proxy appointment service, not less than 48 hours before the time for holding the Extraordinary General Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, but in any event so as to arrive not later than 10.00 a.m. (London time) on 17 November 2010.
4. Entitlement to attend and vote at the meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company as at 10 a.m. on the date which is two days before the date of the meeting or adjourned meeting (as the case may be). This time has been specified pursuant to regulation 22 of the Uncertificated Securities Regulations 2005 to which the Articles are subject. In each case, changes to the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by post to the Company’s registered office at 34 North Quay, Douglas, Isle of Man IM1 4LB. No other methods of communication will be accepted.

