THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should immediately consult your accountant, legal or professional adviser, financial adviser or a person authorised for the purposes of the Financial Services and Markets Act 2000, as amended ("FSMA") who specialises in advising on the acquisition of shares and other securities.

An application has been made for the entire issued and to be issued ordinary share capital of Diurnal Group plc (the "**Company**") to be admitted to trading on AIM, a market operated by London Stock Exchange plc ("**Admission**"). This document, which comprises an admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for Admission. This document does not comprise a prospectus under the Prospectus Rules and has not been approved by, or filed with, the Financial Conduct Authority ("**FCA**").

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 UKLA. 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 rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No applications for the Ordinary Shares to be listed or traded on any such other exchange have been made or are currently intended to be made.

It is expected that Admission will become effective, and that dealings in the Ordinary Shares will commence, at 8.00 a.m. on 24 December 2015.

The Company and its Directors, whose names appear on page 20 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom 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.

Prospective investors should read the whole of this document and should be aware that an investment in the Company involves a high degree of risk. In particular, the attention of prospective investors is drawn to the matters set out under the heading "Risk Factors" set out in Part 3 of this document, when considering an investment in the Company. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part 3 of this document.

Diurnal Group plc

(Incorporated under the Act and registered in England and Wales with registered number 9846650)

Placing of 17,603,759 Ordinary Shares at a Placing Price of 144 pence per Ordinary Share

and

Admission to trading on AIM

Nominated Adviser and Corporate Broker

Numis

Numis Securities Limited

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid

Number	*Nominal value*
52,210,759	*£0.05*

Numis Securities Limited ("**Numis**") which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FCA, is acting as Nominated Adviser and Corporate Broker to the Company in connection with the Placing and Admission and is advising no one else in connection with the Placing and Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in relation to the Placing or Admission or otherwise. The responsibilities of Numis, as Nominated Adviser under the AIM Rules and the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to the Company or any Director of the Company nor to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Numis as to the contents of this document, or for the omission of any material information from this document. Numis has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document or for the omission of any information from this document for which the Directors and the Company are solely responsible.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors or Numis.

Recipients of this document are authorised to use it solely for the purpose of considering the acquisition of Placing Shares and may not reproduce or distribute this document or use any information herein for any purpose other than considering an investment in Placing Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document.

Information not contained in this document

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

IMPORTANT INFORMATION

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or Numis. The offer and sale of Ordinary Shares has not been and will not be registered under the applicable securities laws of Canada, Australia, Japan, New Zealand or the Republic of South Africa. Subject to certain exemptions, the Ordinary Shares may not be offered to or sold within Canada, Australia, Japan, New Zealand or the Republic of South Africa or to any national, resident or citizen of Canada, Australia, Japan, New Zealand or the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**US Securities Act**"), or the securities laws of any other jurisdiction of the United States. The Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States (except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act). No public offering of the Ordinary Shares is being made in the United States. The Ordinary Shares are being offered and sold only outside the United States in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the US Securities Act ("**Regulation S**").

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

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

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from the Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in the Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under ''Risk Factors'' in Part 3 of this document).

Potential investors contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

Notice to prospective investors in the European Economic Area

In the United Kingdom this document is being distributed to, and is directed only at qualified investors (as defined in the Prospectus Directive (as defined below)) who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order and persons within the United Kingdom who receive this document (other than persons falling within (i) and (ii) above) should not rely on or act upon this document.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), no Ordinary Shares have been offered, or will be offered, pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 150, or, if the Relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) in such Relevant Member State; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. For the purposes of this provision, the expression "an offer to the public" in relation to any offer of Ordinary Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression the "Prospectus Directive" means Directive 2003/71/EC (as amended), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

CONTENTS

DEFINITIONS

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

2010 PD Amending Directive	2010 EU directive (2010/73/EU) which amended the Prospectus Directive;
Act	the Companies Act 2006, as amended;
Admission	admission of the Enlarged Share Capital to trading on AIM, a market operated by the London Stock Exchange, becoming effective in accordance with the AIM Rules;
AIM	AIM, a market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies, published by the London Stock Exchange governing admission to, and the operation of, AIM as amended from time to time;
AIM Rule 7 Holders	has the meaning given thereto in paragraph 13 of Part 1 of this document;
AIM Rules for Nominated Advisers	the AIM Rules for Nominated Advisers, published by the London Stock Exchange governing admission to, and the operation of, AIM as amended from time to time;
Articles	the articles of association of the Company which were adopted by a special resolution of the Company passed on 18 December 2015, conditional upon and immediately prior to Admission (as may be amended from time to time thereafter);
Audit Committee	the audit committee of the Board or a properly constituted sub-committee of it;
Board or **Directors**	the Executive Directors and the Non-Executive Directors of the Company;
B Shares	"B" shares of £0.05 each in the capital of the Company to be converted into Conversion Ordinary Shares, which in turn, will be reclassified as Ordinary Shares, in connection with the Reorganisation, as described in paragraph 3.3.3 of Part 7 of this document;
certificated or **in certificated form**	shares or other securities recorded on the relevant register as being held in certificated form;
City Code	the City Code on Takeovers and Mergers;
Company or **Diurnal**	Diurnal Group plc, a public limited company incorporated in England and Wales with registered number 9846650;
Conversion Ordinary Shares	conversion ordinary shares of £0.05 each in the capital of the Company to be created in connection with the Reorganisation, as described in paragraph 3.3.3 of Part 7 of this document;
Convertible Loan	the convertible, interest-free, unsecured loan facility in the aggregate principal amount of £4,650,588 to be made available by IP2IPO to the Company on the terms of the Convertible Loan Agreement;

Convertible Loan Agreement	the convertible loan agreement dated 21 December 2015 between IP2IPO, as lender (1) and the Company, as borrower (2), as more particularly described at paragraph 12.11 of Part 7 of this document;
CPI	the Consumer Price Index;
CREST	the electronic transfer and settlement system of the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
Deferred Shares	deferred shares of £0.05 each in the capital of the Company to be created in connection with the Reorganisation, as described in paragraph 3.3.2 of Part 7 of this document;
Disclosure and Transparency Rules or **DTRs**	the disclosure rules and transparency rules made by the UKLA under Part VI of FSMA;
EEA State	a state which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being;
EIS	the Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007;
EIS Placing Shares	the 83,038 Intermediate Ordinary Shares to be issued by the Company to investors seeking EIS relief in connection with the Placing on 23 December 2015, being the business day prior to the intended date of Admission, which will be sub-divided into 83,038 Ordinary Shares and 83,038 Deferred Shares conditional upon and immediately prior to Admission pursuant to resolutions of the Company passed on 18 December 2015, as more particularly described in paragraphs 3.3.2 and 3.4.1 to 3.4.3 of Part 7 of this document;
Enlarged Share Capital	the issued share capital of the Company on Admission following implementation of the Share Capital Reorganisation and as enlarged by the issue of Placing Shares (but, for the avoidance of doubt, excluding the effect of any exercise by IP2IPO of its rights to convert the principal amount outstanding under the Convertible Loan into Ordinary Shares in accordance with the terms, and subject to the conditions, set out in the Convertible Loan Agreement);
Europe	the 28 member states of the European Union;
Executive Directors	the executive directors of the Company, being Martin Whitaker, Ian Ardill and Richard Ross;
Existing Investment Agreement	the investment agreement dated 1 August 2014 between Diurnal Limited and its shareholders at such time (as amended pursuant to a deed of variation and adherence dated 26 May 2015);
Existing Investment Agreement Termination Deed	the deed of termination in respect of the Existing Investment Agreement dated 1 December 2015 entered into by or on behalf of the parties to the Existing Investment Agreement in connection with the Reorganisation, pursuant to which such parties agreed to waive any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, and to release each other

	party from any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, in respect of, or arising out of, the Existing Investment Agreement or otherwise, as more particularly described at paragraph 12.1.2 of Part 7 of this document;
Existing B Share Capital	the 4,339,500 B Shares in issue immediately prior to their conversion and reclassification into Conversion Ordinary Shares and then Ordinary Shares in connection with the Reorganisation, as more particularly described in paragraph 3.3.3 of Part 7 of this document;
Existing Ordinary Share Capital	the 30,267,500 Intermediate Ordinary Shares in issue immediately prior to Admission following implementation of the resolutions described in paragraph 3.2 of Part 7 of this document, but prior to the implementation of the resolutions described in paragraphs 3.3 and 3.4 of Part 7 of this document;
Existing Share Capital	the 30,267,500 Intermediate Ordinary Shares and the 4,339,500 B Shares in issue as at the date of this document;
Existing Shareholders	the shareholders of the Company as at the date of this document;
FCA	the Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA;
FCA Handbook	the FCA's handbook of rules and guidance as published by the FCA from time to time;
Finance Wales	those funds managed by Finance Wales plc, specifically Finance Wales Investments (5) Limited and Finance Wales Investments (6) Limited, who are Shareholders in the Company as at the date of this document and, following Admission, Finance Wales Investments (3) Limited;
Further Placing Shares	the 17,520,721 Ordinary Shares to be issued by the Company pursuant to the Placing (which are not EIS Placing Shares);
Fusion	Fusion IP Sheffield Limited, a company incorporated in England and Wales with company number 04338632, a wholly-owned subsidiary of IPG;
FSMA	the Financial Services and Markets Act 2000 (as amended);
FW Relationship Agreement	the relationship agreement dated 21 December 2015 between the Company (1), Numis (2), and Finance Wales (3), further details of which are set out in paragraph 12.6 of Part 7 of this document;
Glatt	Glatt GmbH;
Group	the Company and its subsidiary undertakings;
HMRC	HM Revenue & Customs;
IFRS	International Financial Reporting Standards, as issued by the ISAB, as adopted by the European Commission for use in the European Union;

Initial Period	has the meaning given thereto in paragraph 13 of Part 1 of this document;
Interim Investment Agreement	the investment agreement dated 1 December 2015 between the Company and its shareholders upon completion of the Share-for-Share Exchange entered into in connection with the Reorganisation;
Interim Investment Agreement Termination Deed	the deed of termination in respect of the Interim Investment Agreement dated 21 December 2015 entered into by or on behalf of the parties to the Interim Investment Agreement in connection with the Reorganisation pursuant to which such parties agreed to waive any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, and to release each other party from any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, in respect of, or arising out of, the Interim Investment Agreement or otherwise with effect from Admission, as more particularly described at paragraph 12.1.3 of Part 7 of this document;
Intermediate Articles	the articles of association of the Company adopted in connection with the Share-for-Share Exchange on 1 December 2015 (as amended on 1 December 2015 and 3 December 2015);
Intermediate Ordinary Shares	intermediate ordinary shares in the capital of the Company with a nominal value on issue pursuant to the Share-for-Share Exchange of 0.50 each and, following implementation of the resolutions passed on 1 December 2015, as more particularly described in paragraph 3.2.3 of Part 7 of this document, a nominal value of £0.10 each;
Invesco	Invesco Asset Management Limited, together with Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund;
Invesco and IPG Concert Party	has the meaning given thereto in paragraph 6.2 of Part 7 of this document;
IP Capital	Top Technology Ventures Limited (trading as "IP Capital"), the FCA-regulated, wholly-owned subsidiary of IPG incorporated in England and Wales with registered number 01977742;
IPC Engagement Letter	the letter of engagement between IP Capital and Diurnal Limited dated 26 November 2015, which was novated to the Company on 21 December 2015, as more particularly described at paragraph 12.7 of Part 7 of this document;
IPG	IP Group plc, a company incorporated in England Wales with company number 04204490;
IP2IPO	IP2IPO Limited, a company incorporated in England and Wales with company number 04072979, a wholly-owned subsidiary of IPG;
IP2IPO Nominees	IP2IPO Nominees Limited, a company incorporated in England and Wales with company number 05602177, a wholly-owned subsidiary of IPG;
IPG Holders	IP2IPO, IP2IPO Nominees and Fusion, each being wholly-owned subsidiaries of IPG;

IPG Holders' Relationship Agreement	the relationship agreement dated 21 December 2015 between the Company (1), Numis (2), and the IPG Holders (3), further details of which are set out in paragraph 12.6 of Part 7 of this document;
IPR	intellectual property rights;
ISIN	International Securities Identification Number;
ITA 2007	the Income Tax Act 2007;
ITEPA 2003	the Income Tax (Earnings and Pensions) Act 2003;
Lock-in Agreements	the conditional agreements between (1) Numis and (2) certain Existing Shareholders and/or optionholders (as the case may be) dated 21 December 2015, in the case of the Existing Shareholders, and to be entered into prior to Admission in the case of the optionholders; a summary of which is set out in paragraph 13 of Part 1 and paragraphs 12.4 and 12.5 of Part 7 of this document;
London Stock Exchange	London Stock Exchange plc;
LTIP	the Diurnal Group plc Long Term Incentive Plan;
Member State	a member state of the European Union;
New Share Option Agreements	the share option agreements entered into between certain sub-contractors to, and non-executive directors of, Diurnal Limited;
NHS	The National Health Service;
Nomination Committee	the nomination committee of the Board or a properly constituted sub-committee of it;
Non-Executive Directors	the non-executive directors of the Company, being Peter Allen, Sam Williams, Alan Raymond and John Goddard;
Numis or **Nominated Adviser**	Numis Securities Limited a private limited company incorporated in England and Wales with registered number 02285918;
Official List	the Official List maintained by the FCA;
Old Share Option Agreements	the share option agreements entered into between certain sub-contractors to, and employees and former directors of, Diurnal Limited;
Option Scheme	the Diurnal Share Option Scheme 2015;
Ordinary Shares or **Shares**	ordinary shares of £0.05 each (following the implementation of the Share Capital Reorganisation and immediately prior to Admission) in the capital of the Company;
Placee	any person subscribing for Placing Shares pursuant to the Placing;
Placing	the conditional placing of 17,603,759 Ordinary Shares with certain institutional and professional investors at the Placing Price pursuant to the Placing Agreement;
Placing Agreement	the placing agreement dated 21 December 2015 entered into between (1) the Company, (2) the Directors, and (3) Numis and described in paragraph 12.3 of Part 7 of this document;
Placing Price	144 pence per Placing Share;
Placing Shares	the 17,603,759 Ordinary Shares to be issued by the Company pursuant to the Placing consisting of the EIS Placing Shares and the Further Placing Shares;

PRA	the Prudential Regulation Authority, established pursuant to the Financial Services Act 2012;
Proposed Share Option Agreement	the share option agreement proposed to be entered into between Peter Allen and the Company;
Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and including any relevant implementing measure in each Relevant Member State;
Prospectus Rules	the prospectus rules made by the UK Listing Authority under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market and as set out in the FCA Handbook;
QCA	the Quoted Companies Alliance;
QCA Corporate Governance Code	the QCA corporate governance code for small and mid-sized companies published by the QCA;
Registrar	Capita Registrars Limited (trading as "Capita Asset Services"), incorporated in England and Wales with registered number 2603568;
Registrar Agreement	the agreement between the Company and the Registrar dated 21 December 2015, pursuant to which the Registrar has agreed to provide registration services to the Company, as more particularly described at paragraph 12.8 of Part 7 of this document;
Regulations	the Money Laundering Regulations 2007;
Relationship Agreements	the FW Relationship Agreement and the IPG Holders' Relationship Agreement and "**Relationship Agreement**" shall mean either of them as the context may require;
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive;
Remuneration Committee	the remuneration committee of the Board or a properly constituted sub-committee of it;
Reorganisation	the Share-for-Share Exchange and Share Capital Reorganisation of the Company and all other actions taken, and documents entered into, in connection therewith or pursuant thereto, more particularly described in paragraph 2.7 of Part 7 of this document;
Restricted Jurisdictions	Australia, Canada, Japan, New Zealand, the Republic of South Africa and the United States of America, their territories and possessions and any other jurisdiction where the extension or availability of an offer of Ordinary Shares, or the accessing of this document, or its publication, distribution or other dissemination, would be prohibited by, or would breach, any applicable law or regulation;
Restrictive Covenant Agreement	the restrictive covenant agreement between the Company and Richard Ross dated 21 December 2015, pursuant to which Richard Ross has provided certain confidentiality and restrictive covenants and undertakings to the Company;
Share Capital Reorganisation	the reorganisation of the Existing Share Capital prior to Admission, as more particularly described in paragraphs 3.2.1, 3.2.3 and 3.3.2 to 3.3.4 and 3.4.3, 3.4.4 and 3.4.6 of Part 7 of this document;

Share-for-Share Exchange	the share-for-share exchange undertaken pursuant to the Share-for-Share Exchange Agreement as part of the Reorganisation;
Share-for-Share Exchange Agreement	the agreement entered into between the shareholders in Diurnal Limited and the Company dated 1 December 2015 as part of the Reorganisation, as more particularly described at paragraph 12.1.1 of Part 7 of this document;
Share Incentive Schemes	together, the LTIP, the New Share Option Agreements, the Old Share Option Agreements, the Option Scheme and the Proposed Share Option Agreements;
Shareholder(s)	holder(s) of Ordinary Shares from time to time;
Symbiosis	Symbiosis IP Limited, a company incorporated in England and Wales with registered number 6658551;
Takeover Panel or **Panel**	the UK Panel on Takeovers and Mergers;
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland;
UK Listing Authority or **UKLA**	the FCA, in its capacity as the UK Listing Authority;
uncertificated or **in uncertificated form**	shares or other securities recorded on the relevant register as being held in uncertificated form in CREST and title in which, by virtue of the CREST Regulations, may be transferred by means of CREST;
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
University	the University of Sheffield;
University Research Agreement	the research agreement between the University (1) and Diurnal Limited (2) dated 27 November 2015, pursuant to which Diurnal Limited has engaged the University to procure that Professor Richard Ross performs research and development activities directed by Diurnal Limited, including (without limitation), the development of: Infacort® for the treatment of adrenal insufficiency in neonates and infants; Chronocort® treatment for CAH and adrenal insufficiency in adults and children; the I-CAH patient registry; a novel formulation of testosterone; and the Diurnal endocrine pipeline), for a period of one year from 1 December 2015 on behalf of Diurnal Limited;
University Secondment Agreement	the secondment agreement relating to the provision of the services of Professor Richard Ross to the Group between the University (1), Diurnal Limited (2) and Professor Richard Ross (3) dated 1 December 2015;
US Securities Act	the United States Securities Act 1933, as amended; and
VAT	value added tax.

GLOSSARY

ACTH	adrenocorticotropic hormone;
Adrenal glands	the adrenal glands are small glands that sit on top of the kidneys in the retroperitoneum (that is, the deepest part of the abdomen). The adrenal glands have two layers: the cortex and the medulla. The cortex is located on the outer layer of the adrenal gland and secretes a number of different hormones, including cortisol, aldosterone and androgens. Diseases of the adrenal cortex may be caused by either too much or too little of any of the above hormones;
"Adrenal Franchise"	the Group's hydrocortisone product "franchise" or range, designed to treat patients with diseases of cortisol deficiency;
AI	Adrenal Insufficiency;
bioavailability	the amount of, or rate at which, a substance or drug is accessible to the body;
blinding	the process through which one or more parties to a clinical trial are unaware of the medicine/treatment assignments. In a "blinded" or "single-blinded" study, usually the subjects are unaware of the medicine/treatment assignments. In a "double-blinded" study, both the subjects and the investigators are unaware of the medicine/treatment assignments. Also, in a double-blinded study, the monitors and, sometimes, the data analysts are unaware. "Blinded" studies are conducted to prevent the unintentional biases that can affect subject data when medicine/treatment assignments are known;
CAH	Congenital Adrenal Hyperplasia;
CAP	Centralised Authorisation Procedure;
CATCH	Chronocort® As Treatment for Congenital Adrenal Hyperplasia;
CHMP	The Committee for Medicinal Products for Human Use;
Cortisol	a life-sustaining adrenal hormone essential to the maintenance of homeostasis. Called the "stress hormone", cortisol influences, regulates or modulates many of the changes that occur in the body in response to stress, including (but not limited to): blood sugar (glucose) levels; fat, protein and carbohydrate metabolism to maintain blood glucose (gluconeogenesis); immune responses; anti-inflammatory actions; blood pressure; heart and blood vessel tone and contraction; and central nervous system activation. Cortisol levels have a rhythm around the day and night, a circadian rhythm. Cortisol levels are high on waking (between 7.00 a.m. and 10.00 a.m.), gradually decline over the day with low levels on going to sleep (between midnight and 2.00 a.m.) and then building-up overnight to peak again shortly after waking;
CRADA	a co-operative research and development agreement between a government agency and a private company or university to work together on research and development (in the US);
CRO	Contract Research Organisation;

CTA	Clinical Trial Application;
EMA	European Medicines Agency;
Endocrinologist	a specialist endocrine physician;
endpoint	the overall outcome of a clinical trial. Endpoints may be "primary", that is, the main result that the clinical trial or study is designed to achieve which is determined prior to the commencement of the trial or study and measured at the end to see if a given medicine/ treatment worked (for example, the number of deaths or the difference in survival rates between the treatment group and the control group), or "secondary", that is, analysed after the trial or study has been completed and for which it may not have been specifically designed or randomised at the outset;
EPAR	European Public Assessment Report;
FDA	US Food and Drug Administration;
FDCA	Federal Food, Drug, and Cosmetic Act;
GI tract	gastrointestinal tract;
GMPs	good manufacturing practices;
Gonads	an organ that produces gametes (sperm in men and eggs in women) and sex hormones. In men, a testis, and in women, an ovary;
homeostasis	the tendency towards a relatively stable equilibrium between inter-dependent elements in the human body, as maintained by physiological processes;
IMPD	investigational medicinal product dossier;
IND	investigational new drug;
in vivo	occurring or made to occur within a living organism or natural setting, for example, an experiment or test that is carried out *in vivo* is one which is done in the body of a living organism, such as an animal or human being, as opposed to a laboratory method that does not use the living organism as the host of the experiment or test;
IRB	Institutional Review Board;
KOL	Key Opinion Leader;
MAA	Marketing Authorisation Application;
MHRA	UK Medicines and Healthcare Products Regulatory Agency;
NDA	New Drug Application;
OOPD	Office of Orphan Products Development;
open study	a study in which all parties, (patient, physician and study co-ordinator) are informed of the medicine/treatment and the dose being administered. In an open study, none of the participants are given placebos. These are usually conducted with Phase I and II studies;

Orphan Drug Designation	in the European Union, orphan drug designation under Regulation (EC) No. 141/2000 by the EMA's Committee for Orphan Medicinal Products and, in the United States, orphan drug designation under the Orphan Drug Act of 1983, each as more particularly described in paragraphs 7.2, 9.1 and 9.2 of Part 1 of this document;
PDUFA	Prescription Drug User Fee Act;
Phase I clinical trial	a clinical trial which aims to test the safety of a new medicine/ treatment on humans for the first time. A small number of people, who may be healthy volunteers, are given the medicine/treatment. Researchers test for side effects and calculate what the right dose might be to use in treatment (known as dose-ranging studies);
Phase II clinical trial	a second phase of clinical trial which tests a new medicine/ treatment on a group of people, usually a small number of patients, in order to gain a better understanding of its effects in the short term. A Phase II clinical trial may also be conducted on a blind, double-blind and/or randomised basis;
Phase III clinical trial	a third phase clinical trial only for medicines/treatments that have already passed a Phase I clinical trial and a Phase II clinical trial. In a Phase III clinical trial, a medicine/treatment is tested on a further increased number of people (sometimes several thousand) who are ill and compared against an existing treatment or placebo to see if it is better in practice and if it has important side effects. Most Phase III clinical trials are also be conducted on a blind, double-blind and/or randomised basis;
PIP	a Paediatric Investigation Plan, which describes how a medicine should be studied in children (applicable in Europe only);
Pituitary	the pituitary is an important gland, often referred to as the "master gland", controlling several of the other hormone-producing glands, such as the Adrenal and Thyroid. The pituitary gland, consisting of the front (anterior) and back (posterior) lobes, is situated in a bony hollow called the pituitary fossa behind the bridge of the nose and below the base of the brain, close to the optic nerves. The anterior pituitary makes growth hormone, puberty hormones (or gonadotrophins), thyroid-stimulating hormone (TSH, which stimulates the thyroid gland to make Thyroxine), prolactin and Adrenocorticotrophic Hormone (ACTH, which stimulates the adrenal stress hormone, cortisol). The posterior pituitary makes the fluid balance hormone called anti-diuretic hormone (ADH);
pivotal study or **trial**	usually a Phase III clinical trial which presents the data that the relevant regulatory authority uses to decide whether or not to approve a medicine/treatment. A pivotal study will generally be well-controlled, randomised, of adequate size and, whenever possible, double-blinded;
Pre-Clinical Candidate	a fully differentiated compound with pharmacokinetics/ pharmacodynamics and *in vivo* proof of concept and a development plan established;
Pre-Clinical Proof of Concept	the stage of a project when efficacy is demonstrated with a proprietary compound in an animal pharmacokinetic/ pharmacodynamic or disease model;

PUMA	a Paediatric Use Marketing Authorisation that provides incentives for products intended to be used in children in Europe. A product that benefits from a PUMA will have eight years of data exclusivity and 10 years of market exclusivity in Europe with effect from receipt of the PUMA;
randomisation	the process by which study participants are usually assigned to groups in such a way that each participant has an equal chance of being assigned to each medicine/treatment (or control) group. Since randomisation ensures that no specific criteria are used to assign any patients to a particular group, all the groups will be equally comparable;
R&D	research and development;
standard of care	a diagnostic and treatment process that a clinician should follow for a certain type of patient, illness, or clinical circumstance;
TAIN Consortium	the Treatment of Adrenal Insufficiency in Neonates and Infants European Commission-funded consortium (Grant No.: 281654); and
Thyroid	a large ductless gland which absorbs iodine from the diet and converts it into thyroid hormones, thyroxine (T4) and triiodothyronine (T3), which it secretes into the blood stream where they regulate metabolism.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. General

Prospective investors should rely only on the information in this document when deciding whether to invest in the Ordinary Shares. No person has been authorised to give any information or to make any representation in connection with the Placing other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Numis. No representation or warranty, express or implied, is made by Numis or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Numis or any selling agent as to the past, present or future. Neither the delivery of this document nor any issue or sale of the Placing Shares pursuant to the Placing made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group, taken as a whole, since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company will update the information provided in this document by means of a supplement hereto if a material new factor, material mistake or inaccuracy relating to this document occurs or arises prior to Admission that may affect the ability of prospective investors to make an informed assessment of the Placing.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription or purchase, or proposed subscription or purchase, of any Placing Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold Ordinary Shares under applicable legal, investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of any investment in Ordinary Shares for an indefinite period of time.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors or Numis any of their respective representatives that any recipient of this document should subscribe for or purchase any Placing Shares.

Prior to making any decision whether to subscribe for or purchase any Placing Shares, prospective investors should ensure that they have read this document in its entirety and, in particular, the section entitled "Risk Factors", and not just rely on key information or information summarised in it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the merits and risks involved. Any decision to subscribe for or to purchase Placing Shares should be based solely on this document.

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

None of the Company, the Directors, Numis nor any of their representatives is making any representation to any offeree, subscriber or purchaser of the Placing Shares regarding the legality of an investment by such offeree or purchaser.

In connection with the Placing, Numis and any of its affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares and, in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any

issue or offer to, or subscription, acquisition, dealing or placing by Numis and any of its affiliates acting as an investor for its or their own account(s). Numis does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

2. Interpretation

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined in the sections entitled "*Definitions*" and "*Glossary*".

References to the singular in this document shall include the plural and vice versa where the context requires. Any references to time in this document are to London times unless otherwise stated.

3. Presentation of financial information

The financial information in this document has been prepared in accordance with the basis of preparation set out in note 2 of Section B of Part 5 of this document. The significant IFRS accounting policies applied in the financial information of Diurnal Limited are applied consistently in the financial information in this document.

Diurnal Limited's financial year previously ran from 28 May to 27 May. In 2015, Diurnal Limited changed its accounting reference date to 30 June and in the future, its financial year will run from 1 July to 30 June. The financial information included in Part 5 of this document has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and is covered by the Accountant's Report included therein.

4. Presentation of operational data

The Group presents certain operational data in this document. Such data as presented in this document may not be comparable to similarly titled data presented by other companies in the Group's industries and, while the method of calculation may differ across the Group's industries, the Company believes that such data is important to understanding the Group's performance from period to period and that such data facilitates comparison with the Group's peers. This operational data is not intended to be a substitute for any IFRS measures of performance. The operational data is based on the Company's estimates and is not part of the Group's financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts.

Unaudited operational information in relation to the Group is derived from the following sources: (i) unaudited accounting records for the relevant accounting periods and specified accounting framework presented; (ii) internal financial reporting systems supporting the preparation of financial statements; and (iii) the Group's other business operating systems and records.

5. Presentation of market, economic and industry data

Unless the source is otherwise identified, the market, economic and industry data sourced and statistics in this document constitute Directors' estimates, using underlying data from third parties. The Company obtained market and economic data and certain industry statistics from internal reports as well as from third party sources as described in the text or in footnotes (as appropriate) where that information is provided (including from research specifically commissioned by the Company from Informa PLC (trading as "Datamonitor") ("**Datamonitor**"), in November 2015). The Company confirms that all third party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified. Such third party information has not been audited or independently verified.

In addition, this document contains references to, or data based on, information and scientific data from the following publicly available sources or scientific publications:

1. Article by T.S. Han, R.H Stimsont, D.A Rees, N. Krone, D.S Willis, G.S. Conway, W. Arlt, B.R Walker, R. J Ross and United Kingdom Congenital adrenal Hyperplasia Adult Study Executive (CaHASE) entitled '*Glucocorticoid treatment regimen and health outcomes in adults with congenital adrenal hyperplasia*' published in Clinical Endocrinology (2013), 78: 197-203

2. Article by M. S. Broder, M. P. Neary, E. Chang, D. Cherepanov and W H. Ludlum entitled '*Incidence of Cushing's syndrome and Cushing's disease in commercially-insured patients <65 years old in the United States*' published online in Pituitary (2015), 18:283-289

3. Article by D. Kauzor, S. Spielmann, H. Brosig, R. Ross, O. Blankenstein and C Kloft entitle '*Medication safety study investigating hydrocortisone individually and extemporaneously compounded capsules for paediatric use in CAH*' published in association with Clinical Pharmacy

4. Article by A. Mallappa, N. Sinaii, P. Kumar, M.J. Whitaker, L. Daley, D. Digweed, D.J.A Eckland, C. VanRyzin, L.K. Nieman, W. Arlt, R.J Ross and D. P. Merke entitled '*A Phase 2 Study of Chronocort®, a Modified-release Formulation of Hydrocortisone, in the Treatment of Adults with Classic Congenital Adrenal Hyperplasia*' published in the Journal of Clinical Endocrinology & Metabolism (2014), 10.1210/jc. 2014-3809

5. Article by E. Charmandari MD, N. C. Nicolaides MD, Prof. G. P. Chrousos MD entitled '*Adrenal insufficiency*' published in the Lancet, February 4 2014, 383: 2152-67

6. Article by R.F. Dallapiazza, E.H. Oldfield and J.A. Jane Jr entitled '*Surgical management of Cushing's disease*' published online in Pituitary (2015) 18:211-216

7. Article by W.M. Wiersinga entitled '*Paradigm shifts in thyroid hormone replacement therapies for hypothyroidism*' published in Nature Reviews Endocrinology (2014) Mar; 10(3): 164-74

8. Article by S.M Harman, E.J Metter, J.D Tobin, J. Pearson, M.R. Blackman entitled '*Longitudinal effects of aging on serum total and free testosterone levels in healthy men. Baltimore Longitudinal Study of Aging*' published in The Journal of Clinical Endocrinology & Metabolism (2001) 86(2): 724-731

9. FDA Drug Safety Communication entitled '*FDA cautions about using testosterone products for low testosterone due to aging; requires labeling change to inform of possible increased risk of heart attack and stroke with use*', 3 March 2015, an update to the FDA Drug Safety Communication entitled '*FDA evaluating risk of stroke, heart attack and death with FDA-approved testosterone products*', 31 January 2014

10. Article by E. Nieschlag and H.M. Behre entitled '*Testosterone Therapy*' (1997)

11. Article by T.A. Howlett, D.Willis, G.Walker, J.A.H. Wass, P.J Trainer and the UK Acromegaly Register Study Group (UKAR-3) entitled '*Control of growth hormone and IGF1 in patients with acromegaly in the UK: responses to medical treatment with somatostatin analogues and dopamine agonists*' published in Clinical Endocrinology (2013) 79: 698-699

12. Article by S. Melmed, V. Popovic, M.Bidlingmaier, M. Mercado, A. Jan Van Der Lely, N. Biermasz, M. Bolanowski, M. Coculescu, J. Schopohl, K. Racz, B. Glaser, M. Goth, Y. Greenman, P. Trainer, E. Mezosi, I. Shimon, A. Guistina, M. Korbonits, M.D. Bronstein, D. Kleinberg, S. Teichman, I. Gilko-Kabir, R. Mamluk, A. Haviv and C. Strasburger entitled '*Safety and Efficacy of Oral Octreotide in Acromegaly*' *Results of a Multicenter Phase III Trial'* published in the Journal of Clinical Endocrinology and Metabolism (2014) 10.1210/jc.2014-4113

13. Product pricing data provided by the British National Formulary (2015)

6. Rounding

Certain data in this document including percentages and certain amounts relating to financial, statistical and operating information have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them and, accordingly, may not add up to 100 per cent.

7. Currencies

All references in this document to:

- "**Pounds Sterling**" or "**£**" are to the lawful currency of the UK;
- "**Euro**" or "**EUR**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty; and
- "**Dollars**", "**US Dollars**" or "**$**" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this document has been expressed in Pounds Sterling.

8. Forward-looking statements

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks" "could" "targets" "assumes" "positioned" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the Group's results of operations, financial condition, prospects, growth, strategies and the industries in which the Group operates.

The important factors set out in the section entitled "Risk Factors" could cause the Group's actual results of operations, financial condition and the development of the industries in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. Even if the Group's actual results of operations, financial condition and the development of the industries in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the following parts of this document for a more complete discussion of the factors that could affect the Group's future performance and the industries in which the Group operates: Part 1 and Part 3. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements contained in this document may not occur.

The forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors and Numis expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the AIM Rules or the Disclosure and Transparency Rules. Prospective investors should specifically consider the factors identified in this document which cause actual results to differ from those indicated in or suggested by the forward-looking statements in this document before making an investment decision.

9. No incorporation of website information

The contents of the Company's or the Group's websites or any website directly or indirectly linked to the Company's or the Group's websites do not form part of this document and investors should not rely on them.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	21 December 2015
Admission and commencement of dealings in Ordinary Shares on AIM	8.00 a.m. on 24 December 2015
CREST accounts credited with uncertificated shares	8.00 a.m. on 24 December 2015
Dispatch of definitive share certificates (where applicable)	By 12 January 2016

Each of the times and dates in the above timetable is subject to change. All times are London times unless stated otherwise.

PLACING STATISTICS

Placing Price	144 pence
Number of Ordinary Shares in issue immediately prior to the Placing (but otherwise assuming implementation of the Share Capital Reorganisation)	34,607,000
Number of Placing Shares being issued pursuant to the Placing (assuming implementation of the Share Capital Reorganisation)	17,603,759
Total number of Ordinary Shares in issue immediately following Admission (Enlarged Share Capital)	52,210,759
Placing Shares (assuming implementation of the Share Capital Reorganisation) as a percentage of the Enlarged Share Capital	33.72%
Gross proceeds of the Placing	£25.35 million
Gross proceeds receivable by the Company pursuant to the Convertible Loan	£4.65 million
Market capitalisation of the Company immediately following Admission at the Placing Price	£75.18 million
EPIC/TIDM	DNL
ISIN	GB00BDB6Q760
SEDOL	BDB6Q76

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Vance Allen, BA ACA *(Non-Executive Chairman)* Martin James Whitaker, BSc PhD *(Chief Executive Officer)* Ian Leslie Ardill, BSc ACA *(Chief Financial Officer)* Richard John Martin Ross, MBBS MD FRCP *(Chief Scientific Officer)* Samuel Cameron Williams, MA PhD *(Non-Executive Director)* Alan Michael Raymond, BSc PhD *(Non-Executive Director)* John Geoffrey Goddard, BA FCA MCT *(Non-Executive Director)*
Company Secretary	Ian Ardill, BSc ACA
Registered Office	Diurnal Group plc 1 Callaghan Square Cardiff CF10 5BT
Nominated Adviser and Corporate Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Legal adviser to the Company	Eversheds LLP One Wood Street London EC2V 7WS
Reporting Accountant to the Company	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Patent attorneys to the Company	Symbiosis IP Limited Basepoint Business Centre Crab Apple Way Vale Park Evesham Worcestershire WR11 1GP
Legal adviser to Nominated Adviser and Broker	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Registrar	Capita Registrars Limited (trading as "Capita Asset Services") The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 1

INFORMATION ON THE COMPANY AND THE GROUP

1. Introduction

Diurnal is a globally-focused specialty pharmaceutical company targeting patient needs in chronic endocrine (hormonal) diseases which the Directors believe are currently not being met satisfactorily through existing treatments. Diurnal aims to develop and commercialise products to address these patient needs, typically where there is either no licensed medicine or where the Directors believe that current treatment does not sufficiently address patients' needs. The Directors, including Professor Richard Ross, a recognised Endocrinology KOL, have identified a number of such needs within the field of Endocrinology, which the Directors believe represent a combined market opportunity estimated to total more than $11 billion. The Group intends to address these market opportunities through the development of its late-stage pipeline, by building a proprietary direct sales platform in Europe and the US, through development of its early-stage pipeline and, longer-term, through in-licensing and acquisitions.

The Group has two products, Infacort® and Chronocort®, which are in, or are expected to commence shortly, late-stage clinical development targeting indications of cortisol deficiency (Adrenal disease). Infacort® is currently undergoing a Phase III clinical trial in Europe and Chronocort® is expected to commence a Phase III clinical trial in Europe in Q1 2016. Diurnal anticipates its first market authorisation in Europe in Q3 2017, with the maximum combined addressable market potential, including further indication extensions in cortisol deficiency, of its late-stage product candidates expected to be approximately $3.4 billion.

The Group is developing products that are expected to be prescribed by Endocrinologists predominantly located in specialist centres throughout Europe and the US. The Directors believe that the concentrated nature of these centres provides a significant opportunity to build a cost-effective, focused sales and marketing operation, which should enable the Group to capture value from its products and create a base for growth through pipeline development and in-licensing.

Diurnal's foremost programme is aiming to solve patient needs in Adrenal diseases that result from deficiency of the essential hormone cortisol and which the Directors believe are currently not met satisfactorily through existing treatments. The Directors believe that the Group's most advanced product candidate, Infacort®, with marketing approval in Europe currently anticipated for Q3 2017, will, if approved, be the first product specifically designed and licensed for children under six years of age suffering from the rare diseases Congenital Adrenal Hyperplasia ("**CAH**") and Adrenal Insufficiency ("**AI**"). Infacort® aims to address the need for a product that is licensed, effective, safe and easy to administer to infants, neonates and children under six years of age. The Directors expect the Group's second product, Chronocort®, to achieve market authorisation in Europe in Q4 2018. Chronocort® provides a drug release profile that the Directors believe mimics the body's natural cortisol circadian rhythm, which current therapy is unable to replicate, and will improve disease control in this patient group. The aim is for Infacort® and Chronocort® to form the basis of an "Adrenal Franchise" providing cortisol replacement therapy for patients from birth to old age in the Group's target indications.

The Group plans to use its cortisol replacement offering to build a strong platform in underserved diseases of the Adrenal gland and then expand into endocrine disease areas such as those associated with the Thyroid, Gonads and Pituitary. Continued product development is expected to come from Chronocort® line extensions aiming to address additional cortisol deficiency indication(s) and from the Group's earlier-stage pipeline of endocrinology product candidates. These earlier-stage candidates currently include a native oral testosterone for the treatment of male hypogonadism; and Tri4Combi™, a novel formulation to treat hypothyroidism.

The Group aims to become a world-leading, "go-to" endocrinology specialty pharmaceutical company and will seek to in-license high potential product candidates that can be sold through the Group's direct sales platform, once established.

2. History and development of the Group

Diurnal was founded in 2004 as a spin-out from the University of Sheffield (UK) based on the research of Professor Richard Ross, a world-renowned expert and KOL on endocrine conditions. His work in the field of hormone circadian rhythms and the negative impact of their loss in chronic endocrine diseases led him to propose and develop innovative pharmaceutical solutions.

In 2004, an Orphan Drug Designation was approved by the EMA for Chronocort® use in CAH which has the potential to provide a 10-year period of market exclusivity for Chronocort® subject to receipt of market authorisation.

Chronocort® intellectual property was subsequently licensed to Phoqus plc, which developed its own version of the product candidate using a different formulation, manufacturing process, dosing regimen (once daily) and delivery method (tablet rather than capsule form). However, the Chronocort® licence was reacquired by the Group in 2008 when Phoqus plc entered administration after encountering issues with manufacturing scale-up of its proprietary reformulation. Following the reacquisition of the rights, Diurnal designed a new version of the product candidate, changing the formulation, dosing regimen and release profile significantly.

In 2007, an Orphan Drug Designation was approved by the EMA for Chronocort® for use in AI and, in 2008, a new management team was created with the appointment of Martin Whitaker as General Manager and Hiep Huatan as Chief Development Officer.

In 2009, an institutional shareholder base was established, including investment from Fusion IP Plc, funds managed by Finance Wales plc and Viking Fund, and development partners were engaged to develop Chronocort®.

In 2010, Diurnal established its headquarters at the Cardiff Medicentre in Wales (UK) and, in the following year, as part of the TAIN Consortium, secured a prestigious European Commission grant of approximately €1.7 million to develop its second product, Infacort®.

In 2012, Diurnal concluded Chronocort® Phase I trials in human volunteers. This enabled the Company to progress Chronocort® trials in CAH patients. A PIP for Infacort® was also approved by the EMA. Martin Whitaker was promoted from General Manager to CEO.

2013 saw the completion of positive Infacort® Phase I clinical trials in healthy adult volunteers which enabled Diurnal to progress Phase III Infacort® trials in paediatric AI and CAH patients. The CATCH Chronocort® Phase II trial in patients began at the National Institutes of Health (USA) under a prestigious CRADA.

In 2014, positive results from the Phase II CATCH trial were presented at the ENDO conference in Chicago, USA (the Endocrine Society's annual conference) and published in the Journal of Clinical Endocrinology and Metabolism.

2014 and 2015 saw Diurnal secure further institutional funding, including investment from the IPG Holders and further investment from Finance Wales. This funding led to the initiation of Phase III registration trials of both Infacort® and Chronocort® and further strengthening of its management team with the appointment of Peter Allen as Chairman and Ian Ardill as Chief Financial Officer.

In 2015, Chronocort® gained US Orphan Drug Designation for both CAH and AI. Infacort® gained US Orphan Drug Designation for paediatric AI and Infacort® Phase III trials commenced in Europe.

3. Principal markets

3.1 *The global endocrinology market*

3.1.1 *The endocrine system*

The endocrine system is a network of hormone-secreting glands located throughout the body. It includes the Pituitary, Thyroid, Parathyroids, Pancreas, Adrenals and Gonads. Hormones are essential for life and control functions such as human behaviour, development, metabolism, reproduction and the immune response. Hormones are released according to specific circadian

rhythms, that is, release fluctuates throughout the day. Endocrinologists typically treat patients with disorders that result from either the under- or over-production of hormones which cause a range of serious conditions and, ultimately, can result in death if untreated. Replacement of hormones can be lifesaving but long-term treatment requires replication of natural hormone levels and rhythms if health is to be preserved. This is exemplified by Type-1 diabetes where the introduction of insulin in the last century was lifesaving but the focus of current treatment is to try to replicate the fluctuation of insulin levels at mealtimes and overnight to prevent long-term complications and early mortality. Most hormones have individually distinct rhythms, for example, the adrenal steroid hormone cortisol rises overnight to peak on waking and then gradually declines throughout the day. The cortisol rhythm is essential in regulating peripheral tissue rhythms, metabolism and the immune response.

3.1.2 *The endocrinology market and market segments*

The global endocrinology market is believed to be worth at least $60 billion per annum and is dominated by diabetes mellitus, a common condition that is increasing in prevalence due to the obesity epidemic. The global diabetes market alone is estimated to be worth over $50 billion. The diabetes market has typically been the focus of the larger pharmaceutical companies with diabetic patients primarily treated and prescribed for by primary care physicians (general practitioners) but also seen by a large number of specialists (diabetologists, cardiologists, stroke physicians and vascular surgeons) in secondary care (hospital doctors) because of health complications caused by their disease. In contrast to diabetes mellitus, most other endocrine conditions are less common and predominantly prescribed for by specialist paediatric/adult Endocrinologists in secondary care.

Diurnal believes it has identified significant areas of patient need outside of diabetes that are not currently being satisfactorily met and it is these markets that the Group is planning to address. Diurnal's target endocrine markets are estimated at $11.1 billion per annum and include Adrenal disease (CAH, AI, Cushing's syndrome/disease), pituitary disease (growth hormone deficiency and Acromegaly), hypothyroidism and hypogonadism.

3.2 ***The Group's target markets***

3.2.1 *The opportunity in specialist endocrine disorders*

The Group is targeting chronic endocrine indications that either use unlicensed medicines (e.g. crushed tablets for the treatment of childhood AI) or have treatments which the Directors believe do not adequately address patient needs (e.g. adult CAH). Where possible, Orphan Drug Designation allows the Group to develop products for niche endocrine diseases with potentially smaller clinical trials and regulatory support. This support may take the form of financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, protocol assistance, a form of scientific advice which allows the Group to seek answers to its questions on the types of studies needed to demonstrate its product candidates' quality, benefits and risks, is available as well as information on the significant benefit of the Group's product candidates at reduced fee rates. Together with patent protection (currently granted or pending), this has the potential to provide long market exclusivity periods following receipt of market authorisation for the relevant product candidate, although this is not guaranteed (for further information in relation to orphan drug designation and the risks associated with it, see paragraph 2.7 of Part 3 of this document and in particular, the risk factor headed "*Orphan drug designation may not ensure that the Group will enjoy market and data exclusivity in a particular market and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected*").

Most endocrine conditions are chronic, requiring life-long treatment and can start at birth or in early childhood. Hormone therapy is usually lifesaving but the failure to restore healthy rhythms with the current therapies is often associated with a shortened life span and impaired

quality of life, as exemplified by CAH[1]. Diurnal aims to develop therapies that meet patient needs for both rare and common endocrine disorders and "restore healthy rhythms for life" by leveraging its knowledge of the endocrine market.

3.2.2 *Diurnal's target markets*

Diurnal has identified four categories within endocrinology populations which the Directors consider to be attractive and has classified them according to the predominant gland that is related to the condition: Adrenal, Thyroid, Gonads and Pituitary.

Endocrinology segments	*Indications*	*Estimated annual addressable market (Europe and US) ($ billion)*
Pituitary	Acromegaly*	0.7
Thyroid	Hypothyroidism (T4 non-responders)	0.7
Adrenal	CAH	0.5
	Adrenal Insufficiency	2.9
	Cushing's syndrome/disease*	0.5
Gonads	Hypogonadism	5.8
Total		11.1

(Source: Company estimates based on Datamonitor data (2015) and pricing from British National Formulary)

* Indicates areas of potential focus beyond the Group's existing pipeline.

As illustrated in the table below, within these endocrinology segments, the Directors have identified specific indications which are likely to take a high priority for future clinical development by the Group. The Group's initial market is Adrenal, including CAH and AI, which is estimated to be worth approximately $3.4 billion per annum globally ($2.4 billion in the EU and $1 billion in the US) (potentially $3.9 billion with the inclusion of Cushing's disease and syndrome (cortisol excess)). The Directors estimate that the market opportunity for the Group's Chronocort® product in CAH alone to be circa $434 million per annum ($327 million in the EU and $107 million in the US), with additional indications (expected to include AI, both Addison's disease and Hypopituitarism) addressing additional markets worth approximately $2.9 billion per annum ($2.06 billion in the EU and $861 million in the US).

	Prevalence (No. of patients)			*Estimated total addressable market size**		
	EU	*US*	*Total*	*EU*	*US*	*Total*
Paediatric						
AI (including CAH)**	4,066	4,550	8,616	$28m	$32m	$60m
Adult CAH	46,754	15,231	61,985	$327m	$107m	$434m
Adult AI	294,756	123,056	417,812	$2,063m	$861m	$2,924m
Total	345,576	142,837	488,413	$2,418m	$1,000m	$3,418m

(Source: Company estimates based on Datamonitor data, 2015)

* Based on a price point of approximately $7,000 for a hydrocortisone product currently approved in Europe, which provides a reference price for the Group's product candidates, albeit that the Group does not intend to rely solely on this existing approved product as a reference price.

** Under six years in Europe and under 16 years in the United States.

Secondary addressable markets in the EU28 and US relate to the pituitary (Acromegaly – $0.7 billion), thyroid (hypothyroidism T4 non-responders – $0.7 billion) and gonads (classical

1 Article by T.S. Han, R.H Stimsont, D.A Rees, N. Krone, D.S Willis, G.S. Conway, W. Arlt, B.R Walker, R. J Ross and United Kingdom Congenital adrenal Hyperplasia Adult Study Executive (CaHASE) entitled '*Glucocorticoid treatment regimen and health outcomes in adults with congenital adrenal hyperplasia*' published in Clinical Endocrinology (2013), 78: 197-203.

hypogonadism – $5.8 billion)[2], which the Group intends to target following launch of its "Adrenal Franchise" (see below).

4. The Group's operations

4.1 *Product portfolio overview*

Diurnal has a late-stage pipeline, with Infacort® currently undergoing a European Phase III clinical trial for CAH and AI (under six years) and Chronocort® expected to commence a Phase III clinical trial in Europe for adults with CAH in Q1 2016. The Directors expect these products to form the base of its "Adrenal Franchise". Together, these products have the potential (with additional trials) to provide treatments for CAH and AI patients from birth until old age. They address indications where cortisol is deficient within the body and where the Directors believe that existing treatment is not adequately addressing the needs of patients. The Group is focused on launching its "Adrenal Franchise" and its longer-term vision is to expand its product offering to patient needs in diseases that are linked to particular endocrine systems, such as those linked to the Pituitary, Thyroid and Gonads.

4.2 *The Adrenal product range*

4.2.1 *Overview*

Diurnal's goal is to create a valuable "Adrenal Franchise" that can treat patients with diseases of cortisol deficiency throughout their lives. It is anticipated that these products will allow the Group to establish a strong position in cortisol replacement (e.g. CAH and AI) on which it can then look to expand the offering to cortisol excess (e.g. Cushing's syndrome/disease) and to create a strong platform across a broader range of adrenal diseases. The Group has elected to enter the market initially through the low competition indications of CAH and AI. Currently, there are two products which could compete in these indications, generic steroids (including hydrocortisone) and an approved modified release formulation of hydrocortisone. Neither of these products have the same ability to mimic circadian rhythm in the way that Chronocort® does and therefore the Directors consider that it will benefit from providing improved disease control over these existing products.

Diurnal's capsule products contain a multi-layered, multi-particulate formulation containing microcrystalline beads, surrounded by a hydrocortisone layer and, in the case of Chronocort®, a delayed release coat which is triggered by the pH conditions found in the GI tract. Instead of a pH sensitive external layer, Infacort® has a taste-masking outer shell and a seal coat on which the taste-masking layer can bond.

The Group's current European market authorisation strategy is that Infacort® will provide cortisol replacement treatment for children from birth to six years and Chronocort® in adults (18+). The Group intends to conduct further clinical studies in Europe in the age range of six to 18 years. If carried out, and if successful, patients will ultimately have access to Diurnal adrenal replacement products from birth/diagnosis through to old age. In the US, it is intended that the "Adrenal Franchise" will be Infacort®, in the age range 0 to 16 years, and Chronocort®, for 16 years old and above.

2 Company estimates based on data from Datamonitor (2015), information contained in an article by M. S. Broder, M. P. Neary, E. Chang, D. Cherepanov and W H. Ludlum entitled '*Incidence of Cushing's syndrome and Cushing's disease in commercially insured patients <65 years old in the United States*' published online in Pituitary (2015), 18:283-289 and pricing data from the British National Formulary (2015).

The lead product milestones in relation to both Infacort® and Chronocort® are described in the table below:

Product (and indication)	*Estimated Commencement of Phase III Clinical Trial*		*Estimated Completion of Phase III Clinical Trial*		*Anticipated Approval Date*	
	EU	*US*	*EU*	*US*	*EU*	*US*
Infacort® (AI)	Ongoing	Q2 2016	Q4 2016	Q3/Q4 2017	Q3 2017	Q3 2018
Chronocort® (CAH)	Q1 2016	Q4 2016	Q1 2018	Q4 2019	Q4 2018	Q4 2020

(Source: Company estimates)

4.2.2 *Infacort®*

Infacort® is Diurnal's most clinically advanced product targeting AI (including CAH) in children under six years of age. It is undergoing a European Phase III clinical trial for AI including CAH and, as of the date of this document, 18 out of 24 paediatric patients had completed the trial. The Directors expect to achieve approval to go to market in Europe (via a PUMA) in Q3 2017. Phase III clinical trials in the US are expected to commence in Q2 2016, subject to FDA approval, and the Directors expect to achieve market approval in the United States in Q3 2018. The estimated development cost of Infacort® is between approximately $1 million and $4 million in each of Europe and the US.

Infacort® is an immediate release hydrocortisone preparation that has been specifically designed to meet the dosing needs of children under six years of age for whom no licensed, child-friendly products exist in Europe or in the US. Infacort® is manufactured using commercially proven technology in four doses: 0.5mg, 1mg, 2mg and 5mg, in order to give maximum flexibility to clinicians in tailoring the treatment to the child. Taste-masking excipients that are acceptable for paediatric use eliminate the bitter taste of hydrocortisone, potentially increasing compliance. Formal stability studies are in progress and the aim is for Infacort® to have a shelf life exceeding two years at market authorisation; this would be superior to existing unlicensed hydrocortisone products.

The Directors expect Infacort®, if approved, to be the first licensed treatment for CAH and AI in children under six years of age in Europe (0 to 16 years of age in the US). Currently, pharmacists often compound (grind) hydrocortisone tablets to a fine powder and reconstitute it in individual capsules or sachets to achieve the lower doses required for children. This compounding is highly variable and often results in inaccurate dosing[3].

4.2.3 *Chronocort®*

The Directors believe that the majority of adult patients with CAH are not being treated satisfactorily with currently available steroids, which are not able to provide a release profile in line with the body's natural cortisol carcadian rhythm. Chronocort® is aiming to address this need and is expected to be Diurnal's major revenue generator in the early stages of its commercial growth. Chronocort® has the potential to command premium pricing and is expected to have a relatively low development cost of between approximately $5 million and $10.5 million per Phase III clinical trial in Europe and the US. Chronocort® is expected to commence a Phase III clinical trial in Europe for adults with CAH in Q1 2016.

Chronocort® is a modified release hydrocortisone preparation that has been designed to mimic the natural circadian rhythm of cortisol when given in a twice-a-day "toothbrush" regimen (last thing at night before sleep and first thing in the morning on waking)[4].

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3 Article by D. Kauzor, S. Spielmann, H. Brosig, R. Ross, O. Blankenstein and C Kloft entitle '*Medication safety study investigating hydrocortisone individually and extemporaneously compounded capsules for paediatric use in CAH*' published in association with Clinical Pharmacy.

4 Article by A. Mallappa, N. Sinaii, P. Kumar, M.J. Whitaker, L. Daley, D. Digweed, D.J.A Eckland, C. VanRyzin, L.K. Nieman, W. Arlt, R.J Ross and D. P. Merke entitled '*A Phase 2 Study of Chronocort ®, a Modified-release Formulation of Hydrocortisone, in the Treatment of Adults with Classic Congenital Adrenal Hyperplasia*' published in the Journal of Clinical Endocrinology & Metabolism (2014), 10.1210/jc. 2014-3809.

Data from the Chronocort® Phase II trial demonstrates that the trial met its primary endpoint of fully characterising the pharmacokinetic profile of Chronocort® in 16 male and female adult subjects with CAH. The results show Chronocort® provides circadian levels of the stress hormone, cortisol, similar to the healthy population mimicking the overnight rise in cortisol levels, such that patients wake with a normal cortisol level.

In addition, the secondary objective of examining the effect of Chronocort® on the morning biochemical efficacy markers of the disease showed significant control in 94 per cent. of the patients having their morning levels of the androgens, 17-hydroxyprogesterone (170HP) and androstenedione (A4), brought into the optimal range after six months' treatment with titrated Chronocort®, compared to poorer control (only 31 per cent. controlled) on standard treatment at the beginning of the study. Chronocort® was well-tolerated during the six month trial[5].

4.2.3.1 Congenital Adrenal Hyperplasia ("**CAH**")

The first planned indication for Chronocort® is CAH, an orphan condition usually caused by deficiency of the enzyme 21-hydroxylase. This enzyme is required to produce the adrenal steroid hormone, cortisol. The block in the cortisol production pathway causes the over-production of male steroid hormones (androgens), which are precursors to cortisol. The condition is congenital (inherited at birth) and affects both sexes. The cortisol deficiency and over-production of male sex hormones can lead to increased mortality, infertility and severe development defects including ambiguous genitalia, premature (precocious) sexual development and short stature. Sufferers, even if treated, remain at risk of death through an adrenal crisis. Approximately two thirds are patients estimated to have poor disease control, leading to elevated androgen levels. The condition is estimated to affect approximately 71,000 patients in Europe (51,000) and the US (20,000), with approximately 405,000 in the rest of the world[6].

Current therapy for CAH uses a combination of generic steroids (hydrocortisone, dexamethasone and prednisolone) and, at best, these adequately treat approximately one third of CAH patients[7]. Other therapies being developed are experimental only and not expected to receive approval in the short-term.

Chronocort® is expected to commence a European Phase III clinical trial (approximately 110 patients) for CAH in Q1 2016 with market authorisation in Europe expected in Q4 2018. A Phase III trial (approximately 150 patients) in the US is expected to commence in Q4 2016, subject to FDA approval, with market authorisation expected in Q4 2020. The product has completed three Phase I trials in 2011, 2012 and 2015 (food effects study) and a Phase II trial in CAH patients in 2014.

In Europe, the Phase III study patients will be randomised to Chronocort® on the twice daily "toothbrush" regimen referred to at paragraph 4.2.3 above or standard of care in an open 6-month study. In the US, although the final design of the study has not yet been formally approved, it is expected that all study patients will be administered hydrocortisone and then randomised to continue three-times a day hydrocortisone or to switch to Chronocort®, again on the "toothbrush" regimen, in a double-blinded study.

In Europe, agreement has been reached on the trial endpoint with the EMA. Control of androgens on the same or lower dose of steroid is the primary endpoint, which is the same endpoint as in the Phase II clinical trial referred to above. Secondary endpoints for the Phase III trial are anticipated to assess fatigue levels, effects on body mass index and bone turnover, all of which are indicative of clinical benefits.

5 See footnote 4 above.

6 Datamonitor (2015).

7 Article by T.S. Han, R.H Stimsont, D.A Rees, N. Krone, D.S Willis, G.S. Conway, W. Arlt, B.R Walker, R. J Ross and United Kingdom Congenital adrenal Hyperplasia Adult Study Executive (CaHASE) entitled '*Glucocorticoid treatment regimen and health outcomes in adults with congenital adrenal hyperplasia*' published in Clinical Endocrinology (2013), 78: 197-203.

In the US, the primary endpoint of the Phase III clinical trial has not yet been agreed, but the FDA has indicated to the Group that the primary endpoint should be biochemical control plus a responder analysis, whereby a responder equates to a patient whose androgens are brought under control on the same or lower dose of hydrocortisone, is a reasonable primary outcome for the trial. The FDA has also recommended that the Group undertakes a 12-month study for Chronocort® in the US and includes additional secondary endpoints, for example, hirsutism in females and testicular tumours in males (benign testicular adrenal rest tumours are a frequent complication in male CAH patients and can cause infertility). The FDA has also indicated that it would expect to review the Group's finalised study protocol and statistical analysis plan before providing a full review of the statistical component of the trial, which may require additional patients to be recruited to the trial, with the potential for there to be some time delays as well as additional costs.

4.2.3.2 Adrenal Insufficiency ("**AI**")

Chronocort® is also being developed for the treatment of AI, a second orphan condition that results from a deficiency of cortisol secretion from the adrenal gland. The completed Phase I Chronocort® studies underpin the AI indication expansion development programme.

AI is either primary or secondary with primary AI resulting from diseases intrinsic to the adrenal gland and secondary AI resulting from pituitary diseases where there is a failure of stimulation of the adrenal by the pituitary ACTH.

- Primary AI: The most common condition is Addison's disease, which in the western world is due to auto-immune destruction but in the developing world can frequently be caused by tuberculosis[8]. Addison's disease is estimated to affect approximately 64,000 sufferers in Europe and 16,000 in the US with approximately 746,000 sufferers in the rest of the world[9].
- Secondary AI (hypopituitarism): The most common conditions are benign pituitary tumours or congenital disease in children[10]. Hypopituitarism is estimated to affect approximately 231,000 sufferers in Europe and 107,000 in the US with approximately 3,015,000 sufferers in the rest of the world[11].

Current therapy for AI includes a modified release formulation of hydrocortisone approved in Europe based on its pharmacokinetic profile and which does not provide a release profile mimicking the natural circadian rhythm of cortisol. Additional clinical trials would need to be undertaken for this product to gain access to the US market. This product is currently only available in certain European countries and has a reimbursement price of approximately $7,000 per annum based on a dose of 25mg per patient per day.

4.2.4 *Development risk profile*

The late-stage development profile of both Infacort® and Chronocort® in CAH is considered by the Directors to be relatively low risk as the Phase III clinical trials for both products have agreed regulatory end points with the EMA. Discussions with the FDA in relation to the US Phase III clinical trial design and endpoints are ongoing but the FDA has indicated to the Group that the primary outcome of a responder analysis in conjunction with biochemical control, as referred to at paragraph 4.2.3.1 above, is reasonable. In addition, the Phase III clinical trials are

8 Article by E. Charmandari MD, N. C. Nicolaides MD, Prof. G. P. Chrousos MD entitled '*Adrenal insufficiency*' published in the Lancet, February 4 2014, 383: 2152-67.

9 Datamonitor (2015).

10 See footnote 8 above.

11 See footnote 9 above.

expected to involve low patient numbers and to be relatively low cost, with the Chronocort® Phase III clinical trial expected to cost between approximately $5 million and $10.5 million in each of Europe and the US.

4.3 ***The early-stage pipeline – Gonads, Adrenal, Thyroid and Pituitary***

4.3.1 *Overview*

Diurnal has a pipeline of early-stage product candidates at varying stages of development. The Group plans to develop product ranges targeting conditions related to the Gonads, Adrenal, Thyroid and Pituitary.

4.3.2 *Gonads*

Male hypogonadism can be a result of failure of the testes (primary gonadal failure) or due to failure of stimulation by the pituitary (secondary hypogonadism). Primary hypogonadism, failure of the testes can be congenital (inherited), such as Klinefelter's syndrome, in which men are born with an extra X sex chromosome (XXY), or acquired during life due to a variety of causes, including failure of the testes to descend into the scrotum, inflammation due to infections such as mumps, chemotherapy or radiotherapy affecting the testes, and following removal of the testes for testicular tumours. Secondary hypogonadism usually results from a benign tumour of the pituitary gland that causes hypopituitarism. Secondary hypogonadism may occasionally be congenital, such as in Kallmann's syndrome, which is a rare genetic condition where there is loss of development of the nerves that supply the pituitary to stimulate the release of the gonadotrophins.

The estimates for prevalence vary dramatically between studies based on study designs and inclusion criteria. Clear-cut hypogonadism in young men occurs in approximately one per cent. of the population, however, as testosterone falls with aging and in the obese, some studies suggest a prevalence of 12 per cent. for under 60 year olds, 20 per cent. for those in their 60s, 30 per cent. in their 70s and 50 per cent. in their 80s[12]. The classical hypogonadism market in the EU and US is primarily driven by topical formulations, which the Directors currently estimate to be of a value of $5.8 billion in 2015.

Treatment for hypogonadism is Testosterone Replacement Therapy ("**TRT**"). The options currently available for the replacement of testosterone are intramuscular injections, generally every two or three weeks; testosterone patches worn either on the body, rotated between the buttocks, arms, back or abdomen, or on the scrotum, used daily; and testosterone gels that are applied daily to the shoulders, upper arms or abdomen.

There is some controversy over the risks and benefits in replacing testosterone in older men (including the potential for cardiovascular disease)[13] and the Group is focused on developing testosterone replacement for men with clearly-defined hypogonadism according to current clinical guidelines.

Diurnal is developing a native oral testosterone replacement treatment for patients suffering from hypogonadism. The challenge for oral testosterone therapy has been the considerable metabolism both in the intestinal wall and during the first hepatic pass which reduces bioavailability by up to 98 per cent. and can cause liver toxicity as testosterone is rapidly removed by the liver. Attempts have been made to use crystalline form but this has resulted in a low level serum concentration. The only currently available oral forms are either alkylated or

12 Article by S.M Harman, E.J Metter, J.D Tobin, J. Pearson, M.R. Blackman entitled '*Longitudinal effects of aging on serum total and free testosterone levels in healthy men. Baltimore Longitudinal Study of Aging*' published in The Journal of Clinical Endocrinology & Metabolism (2001) 86(2): 724-731.

13 FDA Drug Safety Communication entitled '*FDA cautions about using testosterone products for low testosterone due to aging; requires labeling change to inform of possible increased risk of heart attack and stroke with use*', 3 March 2015, an update to the FDA Drug Safety Communication entitled '*FDA evaluating risk of stroke, heart attack and death with FDA-approved testosterone products*', 31 January 2014.

esterified and are therapies that present well-documented significant pharmacokinetic variability[14].

The Group has successfully completed *in vivo* pre-clinical studies of its novel formulation and expects to initiate a proof of concept study in human hypogonadal patients during Q2 2016 at a cost of $1.6 million targeting lymphatics. The Group has also been granted patents in respect of a lipid-based formulation of native testosterone for oral delivery and characterised by a combination of ethanol and benzyl alcohol which enhances both the solubility and bioavailability of native testosterone. In addition, the Group has also filed patent applications (as yet unexamined) in certain jurisdictions for the same formulation but with the substitution of native testosterone for a testosterone ester. Further information in relation to these granted patents and patent applications can be found at paragraph headed "Native Oral Testosterone" in Part 4 of this document.

4.3.3 *Adrenal*

Rheumacort®: Cortisol plays an important role in regulating the immune response and glucocorticoids (steroid drugs like cortisol) are extensively used as anti-inflammatory drugs in diseases such as rheumatoid arthritis which have a diurnal rhythm in their symptoms. For example, patients with rheumatoid arthritis have early morning stiffness related to increased inflammation caused by an overnight increase in cytokines that can be reduced by steroids. In 2016, the Group plans to commence proof of concept studies in rheumatoid arthritis patients to assess whether Rheumacort®, a delayed, immediate release formulation of hydrocortisone designed to help control cytokines, developed using the same formulation technology applied in Chronocort®, has the potential to improve rheumatoid disease control with a lower risk of side-effects.

Cushing's syndrome/disease: This results from excess cortisol production either as a result of a tumour in the adrenal gland (Cushing's syndrome) or from excess stimulation by benign tumours of the pituitary gland (Cushing's disease). Initial treatment is surgery, but in up to 35 per cent of patients with Cushing's disease this is not successful and they require long-term medical therapy[15]. There is an estimated drug-treatable prevalence of approximately 8,600 sufferers in Europe and 5,500 in the US[16]. It is most common in adults, between the ages of 20 and 50 years old and it affects women more frequently than men[17]. The Group is aiming to build a position in the treatment of Cushing's syndrome and disease.

4.3.4 *Thyroid*

Hypothyroidism, caused by abnormal levels of thyroxine (T4) and triiodothyronine (T3) in the blood stream, can be a result of dysfunction of the thyroid gland (primary hypothyroidism) or, less commonly, a result of failure of the pituitary, which stimulates the thyroid through the hormone Thyroid Stimulating Hormone ("**TSH**") (secondary hypothyroidism). The most common cause of primary hypothyroidism is autoimmune destruction of the thyroid gland. This is where the body's immune system destroys the thyroid gland. Less commonly, the thyroid may be removed surgically because of thyroid lumps or tumours resulting in long-term hypothyroidism. Secondary hypothyroidism during pituitary disease is most commonly caused by a benign pituitary tumour or surgery. Rarely, hypothyroidism can be congenital (inherited) and this can be both primary and secondary.

14 Article by E. Nieschlag and H.M. Behre entitled '*Testosterone Therapy*' (1997).

15 Article by R.F. Dallapiazza, E.H. Oldfield and J.A. Jane Jr entitled '*Surgical management of Cushing's disease*' published online in Pituitary (2015) 18:211-216.

16 Datamonitor (2015).

17 Article by M. S. Broder, M. P. Neary, E. Chang, D. Cherepanov and W H. Ludlum entitled '*Incidence of Cushing's syndrome and Cushing's disease in commercially-insured patients <65 years old in the United States*' published online in Pituitary (2015), 18:283-289.

Hypothyroidism can occur at any age, but is more frequent in the elderly, and it is estimated that up to 5 per cent. of people over 60 years of age are hypothyroid with an estimated market size for patients who do not respond to T4 replacement therapy alone (T4 non-responders) of $0.7 billion per annum worldwide.

The Group is developing a physiological combination therapy of the T3 and T4 hormones, Tri4Combi™, for patients suffering from hypothyroidism. Diurnal has completed initial formulation development to enable selection of a suitable technology to generate new formulations of the hormones T4 and T3, which will allow the replacement of the normal physiological ratio of T4 to T3 to be tested in the clinic. It is anticipated that this may address the need of approximately five to 10 per cent. of patients who have a poor quality of life on current thyroxine replacement therapy[18].

4.3.5 *Pituitary*

The pituitary gland controls the secretion of hormone from the Thyroid, Adrenal and Gonads. It is composed of specialised cells that secrete hormones that stimulate the other glands. The hormone-secreting cells of the pituitary may develop benign tumours secreting excess hormone and thereby cause disease such as Cushing's disease (excess ACTH secretion) and Acromegaly (excess growth hormone secretion).

Acromegaly has serious long-term health consequences, such as Type-II Diabetes, high blood pressure, cardiovascular disease, colon cancer, arthritis and premature death. It usually affects middle-aged adults but may occur in children where it causes gigantism. The primary treatment is surgery, which cures around half of all patients but those without a cure or in whom surgery is contra-indicated require medical therapy. Current medical therapy is with somatostatin analogues. However, these only control disease in around 55 per cent. of patients[19] and although there is a growth hormone antagonist that controls disease in over 75 per cent. of patients[20], this is not widely prescribed in the UK because the Directors believe that it has not demonstrated long-term cost effectiveness. The Group proposes to target the need for a cost-effective growth hormone antagonist.

Acromegaly is a rare disease and usually develops between the ages of 20 and 50. It has an estimated prevalence of approximately 28,000 sufferers in Europe and 19,000 in the US. Acromegaly occurs with the same frequency in men and in women.

Diagnosis of Acromegaly generally takes six to 10 years after the onset of pathological GH secretion. Pituitary gigantism is an extremely rare disorder. Pituitary tumours are very rare in childhood and adolescence, with reported prevalence one per million children.

The Directors estimate the Acromegaly market currently to be approximately $0.7 billion.

The Group does not currently have a product candidate for the treatment of Acromegaly but the Directors view this market as a potential area of focus in the future and are currently considering strategic opportunities to enter it.

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18 Article by W.M. Wiersinga entitled '*Paradigm shifts in thyroid hormone replacement therapies for hypothyroidism*' published in Nature Reviews Endocrinology (2014) Mar; 10(3): 164-74.

19 Article by T.A. Howlett, D.Willis, G.Walker, J.A.H. Wass, P.J Trainer and the UK Acromegaly Register Study Group (UKAR-3) entitled '*Control of growth hormone and IGF1 in patients with acromegaly in the UK: responses to medical treatment with somatostatin analogues and dopamine agonists*' published in Clinical Endocrinology (2013) 79: 698-699.

20 Article by S. Melmed, V. Popovic, M.Bidlingmaier, M. Mercado, A. Jan Van Der Lely, N. Biermasz, M. Bolanowski, M. Coculescu, J. Schopohl, K. Racz, B. Glaser, M. Goth, Y. Greenman, P. Trainer, E. Mezosi, I. Shimon, A. Guistina, M. Korbonits, M.D. Bronstein, D. Kleinberg, S. Teichman, I. Gilko-Kabir, R. Mamluk, A. Haviv and C. Strasburger entitled '*Safety and Efficacy of Oral Octreotide in Acromegaly' Results of a Multicenter Phase III Trial*' published in the Journal of Clinical Endocrinology and Metabolism (2014) 10.1210/jc.2014-4113.

5. The Group's key strengths

The Directors believe that the key strengths of the Group are as follows:

5.1 ***Attractive and significant addressable market***

The Group's core target markets are the specialist Endocrinology markets in Europe and the United States, together estimated by the Directors to be worth approximately $11.1 billion per annum. Currently, there are a limited number of participants addressing patient needs in the core markets that the Group is targeting and the Directors therefore consider that the Group has a significant opportunity to establish a strong position. The Group plans to build on its "Adrenal Franchise" and to market to a concentrated network of specialist prescribers, thereby creating a brand, and sales and marketing channel, that can assist it in becoming a leading global endocrinology specialty pharmaceutical company.

5.2 ***Phase III product candidates with significant commercialisation potential including indication expansion opportunities***

The Group's principal product candidates, Infacort® and Chronocort®, are either in, or expected to commence shortly, Phase III clinical trials in Europe with plans for US Phase III clinical trials already underway. These product candidates are targeting indications with an estimated global addressable market potential of $3.4 billion. The Directors expect Infacort®, if approved, to be the first licensed treatment for CAH and AI in children under six years of age in Europe (0 to 16 years of age in the US), presenting the Group with the opportunity to target patient adoption of its "Adrenal Franchise" from birth or early age, where paediatric adoption is expected to lead to use of its adult offering, Chronocort®. Additionally, the Directors expect Chronocort® to be the first product for adults to mimic the natural cortisol circadian rhythm, thus improving disease control. In addition, the Group has the opportunity for Chronocort® indication expansion to adult AI and paediatric CAH and expects to commence clinical trials in 2016, subject to regulatory approval.

5.3 ***The Group's product candidates have a low technical risk***

The Group's product candidates are based on established active pharmaceutical ingredients with no requirement for pre-clinical toxicology and a lower safety risk. The Directors believe that their use of established technology also means that they have a lower manufacturing risk.

5.4 ***A viable route to build a direct sales and marketing infrastructure***

The Group intends to target a concentrated network of prescribers practising in specialist endocrinology centres in Europe and the US. As a consequence, the Directors believe that the Group should only require a modest direct sales and marketing capacity which can be constructed and operated cost-effectively and should be financially viable over the longer-term. The Directors anticipate that additional geographies will be served through partnerships. The Directors will ensure that there are policies, procedures and training regimes in place which should ensure that the sales and marketing teams comply with the extensive laws and industry practices governing this area.

5.5 ***Potential for commercial exclusivity***

Protection for a biotechnology and pharmaceutical product relies on a combination of regulatory and intellectual property regimes to provide protection against the manufacturing and sale of the same or a similar product by a competitor. This protection can be made up of orphan drug status which potentially provides periods of market and data exclusivity (both on the completion of clinical trials and filing (and granting) of marketing authorisations) and, in the case of medicinal products exclusively for use in paediatric populations, a PUMA (providing similar market and data exclusivity), as well as patent protection.

Infacort® and Chronocort® have Orphan Drug Designations in the US, which are expected to provide periods of market and data exclusivity upon the relevant product candidates receiving regulatory approval in the relevant jurisdictions (although note the risks associated with orphan drug designation

set out in paragraph 2.7 of Part 3 of this document and, in particular, the risk factor headed "*Orphan drug designation may not ensure that the Group will enjoy market and data exclusivity in a particular market and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected"*). Similarly, Chronocort® has two Orphan Drug Designations in Europe which, again, are expected to provide periods of market and data exclusivity in the event that the relevant market authorisations are received. The Directors also intend to secure market and data exclusivity for Infacort® in Europe by applying for a PUMA.

In addition, the Group has a number of granted or pending patents in key jurisdictions (including Europe and the US) providing protection for the novel formulations it has developed comprised within Infacort® and Chronocort® and certain of its other product candidates.

The Directors believe that the Group's regulatory protection and its patent portfolio, together, could provide significant protection for its product candidates, at least in the short- to medium-term, and could therefore enable the Group to establish itself as a well-recognised, endocrine brand before it faces significant competition.

5.6 ***Experienced management team and board***

The Group has built a management team with significant experience and will seek to supplement it as its operations mature and new skills and expertise are required. The Group's founder and Chief Scientific Officer, Richard Ross, is a world-leading Endocrinologist and KOL and, collectively, the Directors and management team have significant experience in product formulation, orphan drugs and obtaining European and FDA approvals which the Directors believe stand it in good stead to progress to the next stage in its development. Richard Ross remains an employee of the University but provides services to the Group through two agreements, the University Secondment Agreement and the University Research Agreement. The Directors believe that the Group is best served by Richard Ross' ongoing relationship with the University, which provides important access to the medical and scientific communities. The University Secondment Agreement, as summarised in paragraph 12.9 of Part 7 of this document, secures the Group five per cent. of Richard Ross' time for two years from 1 December 2015. The University Research Agreement, as summarised in paragraph 12.10 of Part 7 of this document, secures the Group the provision of Richard Ross' services to supervise a programme of research and development activities (as directed by the Group) for 12 months from 1 December 2015, which the Directors consider to be equivalent to a full-time commitment to the Group over that period. Assuming that there remains a willingness at the relevant time on both sides for Richard Ross to continue to provide such services to the Group, the Directors intend that a new agreement will be entered into in late 2016 in order to secure Richard Ross' ongoing services for the Group.

5.7 ***Attractive opportunities for long-term growth***

The Directors believe that the Group has a strong early-stage product pipeline focused on endocrinology with a proof of concept clinical trial of oral native testosterone in hypogonadal patients expected to commence in 2016, a Tri4Combi™ clinical development plan underway for Hypothyroidism and proof of concept studies in rheumatoid arthritis patients also planned for 2016 to assess whether Rheumacort® has the potential to improve rheumatoid disease control with a lower risk of side-effects. It is also exploring opportunities to in-license or acquire products and sell them through its specialist sales force once established. The Directors therefore believe that the Group not only has an attractive near-term product portfolio but also realistic opportunities to add further revenue growth over the longer-term.

6. The Group's growth strategy

6.1 ***Overview***

The Group aims to become a leading endocrinology specialty pharmaceutical company. The Group's strategy is to complete the development of its late-stage "Adrenal Franchise" and to bring these products to market by building a direct sales and marketing function in Europe and the US. Its longer-

term strategy is to continue product portfolio expansion through both pipeline R&D, in-licensing and acquisitions to target chronic non-diabetic endocrine diseases where there are patient needs that the Directors believe are not being met satisfactorily by current treatments. The Group aims to be a "go-to" market participant for companies looking to out-license future endocrine products through development of a leading position in endocrinology with a targeted specialist sales force.

The Group's growth strategy can be broken down into three stages:

6.2 ***1) Complete development of lead products and capitalise on opportunities for long-term growth***

As referred to above, Diurnal's near-term objective is to ensure that its lead products complete Phase III trials in both Europe and the US. Initial revenues are expected to come from Infacort® and Chronocort® in Europe with both products expected by the Directors to be approved in Europe by Q4 2018 and in the US by Q4 2020, with the US trial endpoints subject to FDA approval. In addition, the Group aims to take advantage of potential organic growth opportunities through the continued development of its early stage pipeline in the areas of rheumatoid arthritis (through Rheumacort®), Hypogonadism and Hypothyroidism (as referred to above).

6.3 ***2) Build sales and marketing infrastructure***

6.3.1 *Overview*

The Group has performed initial work to date evaluating the feasibility of building its targeted sales and marketing infrastructure, including KOL interviews, engagement of industry experts and by the early recruitment of a Commercial Director.

The concentrated nature of specialist endocrinology centres throughout Europe and the US leads the Directors to consider that the Group has a feasible route to build and fund a direct sales and marketing platform. According to the Group's research, there are approximately 120 centres in the five major European markets (EU5: UK, Germany, France, Spain and Italy) and approximately 150 centres in the US which, together, can be covered by a total of approximately 50 sales representatives. It is expected that 50 sales representatives will also provide some capacity to target additional European countries beyond the EU5. It is anticipated that five to 10 distribution partners can cover additional regions including Japan, Asia Pacific, Russia and the Middle East.

Whilst the Group is still finalising its plans, its commercialisation strategy is expected to comprise three stages:

- *Initiate with Infacort®:* Establish key personnel in key territories (initially in Europe and then in the US) to initiate a targeted market access programme for Infacort® in Europe to ensure early revenues.
- *Expand with Chronocort®:* Rapidly increase the size of the Group's sales force and market awareness activities (initially in Europe and thereafter in the US) once market authorisation submission of Chronocort® has been achieved to provide the best chance of optimising sales as rapidly as possible.
- *License to Rest of World (will run in parallel to the above two stages):* Use the Group's network of contacts in the endocrine field to seek and secure partnerships worldwide.

6.3.2 *Disease awareness programmes and patient support*

In addition to building the infrastructure, the Group has already begun to put in place plans to raise awareness of patient needs that are currently not being met because the majority of patients are not being treated satisfactorily. It plans to engage with clinicians using targeted

KOL engagement education and expertise and by demonstrating commitment to endocrine diseases including through:

- its involvement in the I-CAH Registry: www.i-cah.org (run by the University of Glasgow, UK), an initiative intended to improve the clinical management of CAH and to capture knowledge about the disease with the aim of connecting clinical and research centres around the world; and
- collaborative engagement with patients and patient groups worldwide to increase awareness of the patient needs.

Additionally, to provide complete wrap-around care for patients with cortisol deficiency, the Group may seek to develop emergency cortisol packs for patients to be prescribed alongside both Infacort® and Chronocort®. A major cause of mortality and morbidity for patients with CAH and AI is adrenal crisis and providing emergency packs along with other services, such as cortisol diagnostics, should assist in establishing Diurnal's position as a "go-to" company in Adrenals.

6.3.3 *Pricing and reimbursement*

The global environment for pharmaceuticals is complex due to the large degree and variability in government regulation in relation to pricing and reimbursement. Pricing and reimbursement control systems are different from country to country. Recognising this, the Group has already begun to gather health economic evidence to support future pricing and reimbursement discussions. In Europe, there is a reference price for a hydrocortisone-based product used in the treatment of adult AI (that does not replicate the body's natural cortisol circadian rhythm) of approximately $7,000 per patient per annum. However, the Group does not intend to rely solely on this existing approved product as a reference price. It intends to gather further long term patient data on its products through additional clinical trials that could support pricing and reimbursement negotiations in the future.

In addition, the Group is collaborating with leading healthcare research and data consultancy organisations to assess further the cost-benefit to patients and healthcare providers to support its pricing and reimbursement negotiations.

6.4 ***3) Evaluate strategic opportunities***

The Group is already in discussions with a number of the leading pharmaceutical companies, distributors and advisors active in the endocrine market. The Directors plan to take the Group's products to market organically but are also evaluating strategic opportunities for potential acquisitions of, or combinations with, other market participants should they consider that such acquisitions or combinations would accelerate or add value to the existing plan. These are likely to fall into the following categories.

6.4.1 *M&A*

Potential acquisition targets could include sales and marketing infrastructure, marketed products and earlier stage pipeline product candidates. If appropriate, the Group may seek additional funding to execute value enhancing opportunities.

6.4.2 *In-licensing*

The Group aims to become the leading global endocrinology specialty pharmaceutical company. It therefore intends to identify and source value accretive in-licensing opportunities across the complete range of product development.

6.4.3 *Partnerships*

The Group is already in discussions with a range of endocrine pharmaceutical companies, advisors and distributors. Its sales and marketing strategy involves the use of strategic partnerships to target geographic regions where it is not feasible for it to establish a direct sales and marketing function.

7. Commercial exclusivity and intellectual property portfolio

7.1 *General*

Protection for a biotechnology and pharmaceutical product relies on a combination of regulatory and intellectual property regimes to provide protection against the manufacturing and sale of the same or a similar product by a competitor. This protection can be made up of orphan drug status, data exclusivity (both on the completion of clinical trials and filing (and granting) of marketing authorisations) and patent and other intellectual property protection.

The Directors believe that the Group's regulatory protection and its patent and trademark portfolio, together, have the potential to provide significant protection for its product candidates (assuming market authorisation), at least in the short- to medium-term following such approval being granted, and should therefore enable the Group to establish itself as a well-recognised, quality endocrine brand before it faces significant competition.

7.2 *Market and data exclusivity*

In the European Union, exclusivity through Orphan Drug Designation under Article 8(1) of Regulation (EC) No 141/2000 requires a granted market authorisation for a product candidate (a "**MA**") and provides that for 10 years (or 12 years in the case where certain requirements are met in relation to paediatric use) another MA will not be granted for:

- the same therapeutic indication; and
- in respect of a similar medicinal product (a similar active substance ("SAS") for the same therapeutic indication, where SAS means the same principal molecular structural features acting via the same mechanism).

This is reduced to six years if relevant criteria are no longer met, which include if the product is sufficiently profitable.

There are three derogations under Article 8(3):

- the consent of the MA holder ("**MAH**");
- the inability of the MAH to supply sufficient quantities; or
- the second medicinal product is safer, more effective or otherwise clinically superior.

Exclusivity is dependent on the successful conclusion of clinical trials. Protection in the US is similar, but not identical to protection in the EU, for example, the period of market exclusivity afforded post-market authorisation of the relevant product candidate is shorter than in Europe (seven years compared to 10).

Data exclusivity is the exclusive right for (effectively) 10 years to use data from clinical trials. Having data exclusivity means that a competing company cannot use that data in support of an application for a MA for its own product except in limited circumstances. Data exclusivity only applies to the data used in support of the MA. Accordingly, it also depends on the successful conclusion of the clinical trials and the granting of MAs. The extent of this protection in the EU is different to that in the US.

A further option for protection is a PUMA. A PUMA provides eight years of data exclusivity and 10 years of market exclusivity with effect from its grant (such periods running concurrently) for product candidates developed exclusively for use in paediatric patient populations.

Infacort® and Chronocort® have Orphan Drug Designations in the US, with the potential to provide periods of market and data exclusivity with effect from the relevant product candidates receiving regulatory approval. Similarly, Chronocort® has two Orphan Drug Designations in Europe which, again, have the potential to provide periods of market and data exclusivity upon the relevant product candidate receiving regulatory approval. The Directors intend to secure exclusivity for Infacort® in Europe by applying for a PUMA which has the potential to provide the periods of market and data exclusivity referred to above in Europe with effect from Infacort® receiving regulatory approval (via the PUMA) in Europe.

Further information in relation to the availability of market and data exclusivity and the protections it affords is set out at paragraph 9 below and certain risks associated with it are described in paragraph 2.7 of Part 3 of this document and, in particular, the risk factor headed "*Orphan drug designation may not ensure that the Group will enjoy market and data exclusivity in a particular market and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected*".

7.3 ***Patents***

The Group has a portfolio of four patent families, including recently filed patent applications and mature cases.

In summary, the Group has applied for, or obtained, in key jurisdictions (including Europe and the United States) the grant of patents which cover:

- the medical use indication for Infacort®. This patent is granted in the UK and Hong Kong and is pending in other jurisdictions (including Europe, India, Japan, the United States and South Africa);
- the specific formulation for Infacort® that is proceeding through Phase III trials. This patent is pending in all jurisdictions;
- Chronocort®. This patent is granted in the UK and is pending in other jurisdictions (including Europe, India, Japan, the United States and South Africa); and
- the Group's formulation for native testosterone. This patent is granted in Austria, Australia, Belgium, Switzerland, China, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, the UK, Greece, Hungary, Republic of Ireland, Israel, Italy, Japan, Latvia, the Netherlands, Norway, Poland, Portugal, Sweden, Slovakia, Turkey, the United States and South Africa. The patent is pending in Canada, India and South Korea.

Further information in relation to the Group's patent portfolio is set out in Part 4 of this document and certain risks associated with it are described in paragraph 2.6 of Part 3 of this document.

The Group has a proactive approach to obtaining intellectual property rights for its product portfolio and the Directors believe that its patent portfolio represents a substantial resource for indication expansion for its existing product candidates as well as developing new products for the treatment of endocrine diseases.

External patent attorneys are engaged by the Group to draft patent applications and prosecute patent applications, working with overseas patent attorneys in the relevant territories for country-specific patent prosecution. The Group has engaged Symbiosis IP Limited to prosecute its patent portfolio and selects a patent attorney for each patent case based on the firm's and individual's experience and expertise in the relevant technical field.

In addition, and as referenced above, the Group's products have Orphan Drug Designations in Europe and the US, which, upon grant of market authorisations for the relevant product candidates covered by such designations, will have the potential to provide a period of market and data exclusivity (although note the risks associated with orphan drug designation set out in paragraph 2.7 of Part 3 of

this document and, in particular, the risk factor headed "*Orphan drug designation may not ensure that the Group will enjoy market and data exclusivity in a particular market and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected"*).

7.4 ***Trademarks***

The Group has secured registered trademark protection for a number of its most significant product brands, for example, Infacort®, Chronocort® and Rheumacort®, in key jurisdictions, in the European Union and the US.

It should be noted, however, that, as part of the regulatory authorisation process, product names are also required to be approved by the relevant regulators before commercialisation can commence. As a consequence, the Group's products may be marketed under different brand names once market approval is obtained. The Group intends to seek trademark protection for any brand names ultimately used in its commercialisation phase in line with its current intellectual property strategy.

Further information on the Group's trademarks and trademark applications is set out in Part 4 of this document.

7.5 ***Research and development***

The Group is committed to the on-going research and development of its existing and new product candidates. This could lead to further patent and trademark development.

8. Manufacturing

The Group has a pharmaceutical development agreement in place with Glatt GmbH ("**Glatt**"), a family-run German manufacturing business specialising in fluidised bed technology. Pursuant to this arrangement, Glatt manufactures batches to GMPs of both Infacort® and Chronocort® for clinical trials, the former of which is currently at commercial scale.

Glatt develops and produces solid pharmaceutical dosage forms with a focus on multi-particulate systems, such as pellets, micropellets and granules that optimise bio-availability and enable taste-masking, improved solubility as well as stabilisation of the dosage form.

The manufacturing process for Infacort® uses a Glatt fluid bed dryer and involves three main steps: (i) drug layering; (ii) seal coating; and (iii) taste-masking. Both particle size distribution and dissolution profiles have been tested at commercial scale and have satisfied regulatory specifications. The same process is applied for Chronocort® save that the formulation is manufactured with one less layer.

Through its relationship with Glatt, the Group has achieved commercial scale manufacturing for Infacort® but has yet to commence the project to achieve the same for Chronocort®. The Directors consider that current manufacturing capability for Chronocort® is sufficient for the marketing authorisation stage and may, subject to the terms of its arrangements with Glatt, seek to increase manufacturing scale as the anticipated market approval dates approach.

The Group currently uses Glatt exclusively for manufacture and supply. The Directors believe that it is common to have a single manufacturer at this stage of the Group's development, where it is currently in the process of conducting clinical trials and is not yet at the stage of having received regulatory approval to market any of its product candidates.

Upon receipt of market authorisation, it is intended that the Group would seek to agree a commercial manufacturing agreement with Glatt in respect of both Infacort® and Chronocort® but the Group may, subject to the terms of its arrangements with Glatt, also seek a secondary manufacturing source at the same time. The Directors may also seek to enter into similar arrangements for the Group's other product candidates with other third parties as and when appropriate.

Further information in relation to the Group's arrangements with Glatt is set out in paragraph 11.2 of Part 7 of this document.

9. Regulatory environment

The Group and its operations are subject to extensive regulation. Regulation by governmental authorities in Europe, the United States and other jurisdictions is a significant factor in the development, manufacture and marketing of any medicinal products and in ongoing research and development activities. All of the Group's products are subject to rigorous pre-clinical and clinical trials and other pre-marketing approval requirements by the EMA, the FDA and other regulatory authorities in Europe, the United States and in other jurisdictions.

9.1 *Europe*

The process regarding approval of medicinal products in Europe generally involves satisfactorily completing each of the following:

- pre-clinical laboratory tests, animal studies and formulation studies all performed in accordance with the applicable Good Laboratory Practice regulations;
- submission to the relevant national authorities of a CTA, which must be approved before human clinical trials may begin;
- performance of adequate and well-controlled clinical trials in accordance with good clinical practice to establish the safety and efficacy of the product for each proposed indication;
- submission to the relevant competent authorities of a MAA, which includes data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product in clinical development and proposed labelling;
- satisfactory completion of an inspection by the relevant national authorities of the manufacturing facility or facilities, including those of third parties, at which the product is produced to assess compliance with strictly enforced current GMPs;
- potential audits of the non-clinical and clinical trial sites that generated the data in support of the MAA; and
- review and approval by the relevant competent authority of the MAA before any commercial marketing, sale or shipment of the product.

Pre-clinical studies

Pre-clinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animal studies, in order to assess the potential safety and efficacy of the product. The conduct of the preclinical tests and formulation of the compounds for testing must comply with the relevant European regulations and requirements. The results of the preclinical tests, together with relevant manufacturing information and analytical data, are submitted as part of the CTA.

Clinical trial approval

Pursuant to the Clinical Trials Directive 2001/20/EC (the "**Clinical Trials Directive**"), as amended, a system for the approval of clinical trials in Europe has been implemented through national legislation of the member states. Under this system, approval must be obtained from the competent national authority of a European Union member state in which a study is planned to be conducted. To this end, a CTA is submitted, which must be supported by an IMPD and further supporting information prescribed by the Clinical Trials Directive and other applicable guidance documents. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favourable opinion on the clinical trial application in that country.

Clinical drug development is often described as consisting of four temporal phases (Phases I to IV), as follows

- Phase I (Most typical kind of study: Human Pharmacology);
- Phase II (Most typical kind of study: Therapeutic Exploratory);
- Phase III (Most typical kind of study: Therapeutic Confirmatory or pivotal); and
- Phase IV (Variety of Studies: Therapeutic Use).

Studies in Phase IV are all studies (other than routine surveillance) performed after drug approval and related to the approved indication. Instead of pre-approval Phase IV studies there may instead be post-approval pharmacovigilance studies conducted by Dime.

Manufacturing of investigational products is subject to the holding of authorisation and must be carried out in accordance with current GMPs.

Marketing authorisation application

Authorisation to market a product by the EMA proceeds under one of four procedures: a centralised authorisation procedure, a mutual recognition procedure, a decentralised procedure or a national procedure.

Certain drugs defined as medicinal products developed by means of biotechnological processes must undergo the centralised authorisation procedure ("**CAP**") for marketing authorisation, which, if granted, is automatically valid in all European Union member states. The EMA and the European Commission administer the CAP. The CAP is required for medicinal products developed by means of certain biotechnological processes; advanced therapy medicinal products as defined in Article 2 of Regulation 1394/2007 on advanced therapy medicinal products; medicinal products for human use containing a new active substance for which the therapeutic indication is the treatment of certain diseases such as cancer, diabetes and certain auto-immune diseases; and medicinal products that are designated as orphan medicinal products pursuant to Regulation 141/2000. The Group is required to follow the CAP in respect of its product candidates.

Under the CAP, the Committee for Medicinal Products for Human Use ("**CHMP**") serves as the scientific committee that renders opinions about the safety, efficacy and quality of human products on behalf of the EMA. The CHMP is composed of experts nominated by each member state's national drug authority, with one of them appointed to act as Rapporteur for the co-ordination of the evaluation with the possible assistance of a further member of the Committee acting as a Co-Rapporteur. After approval, the Rapporteur(s) continue to monitor the product throughout its life cycle. The CHMP has 210 days to adopt an opinion as to whether a marketing authorisation should be granted. The process usually takes longer as additional information is requested, which triggers clock-stops in the procedural timelines. The process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts. Once the procedure is completed, an EPAR is produced. If the opinion is negative, information is given as to the grounds on which this conclusion was reached. The opinion produced by the CHMP is sent to the European Commission and used in reaching the final decision.

Marketing authorisation is valid for five years, in principle, and the marketing authorisation may be renewed after five years on the basis of a re-evaluation of the risk-benefit balance by the EMA. To this end, the marketing authorisation holder is required to provide the EMA with a consolidated version of the file in respect of quality, safety and efficacy, including all variations introduced since the marketing authorisation was granted, at least six months before the marketing authorisation ceases to be valid. Once renewed, the marketing authorisation is valid for an unlimited period, unless the European Commission decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Any authorisation which is not followed by the actual placing of the drug on the European market within three years after authorisation ceases to be valid.

Orphan drug designation and PUMA

Regulation 141/2000 states that a drug shall be designated as an orphan drug if its sponsor can establish:

- that it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Community when the application is made; or
- that it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Community and that without incentives it is unlikely that the marketing of the drug in the European Community would generate sufficient return to justify the necessary investment; and
- that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorised in the European Community or, if such method exists, the drug will be of significant benefit to those affected by that condition.

Please refer to paragraph 7.2 above for a discussion of the extent of protection afforded by Orphan Drug Designation and the derogations from that protection.

In addition, applicants may request PUMAs for product candidates that are:

- already authorised;
- no longer covered by a supplementary protection certificate ("**SPC**") or a patent that qualifies as a SPC; or
- to be exclusively developed for use in children.

The development of a PUMA must follow a PIP, which must be agreed by the Paediatric Committee of the EMA. The Group has a PIP in place in respect of Infacort® and intends to pursue this route to obtain eight years' data exclusivity and 10 years' market exclusivity for Infacort® in Europe. The first product candidate awarded a PUMA for a particular paediatric indication benefits from these periods of data and market exclusivity. An application for a PUMA must contain the results of studies performed, and information collected, in compliance with the agreed PIP. Therefore, if the relevant studies are not conducted in accordance with the agreed PIP, a PUMA is unlikely to be obtained.

Designated orphan medicinal products will not automatically qualify for accelerated assessment by the EMA. However, an accelerated evaluation might be initiated by the CHMP in exceptional cases, when a medicinal product is intended to meet a major public health need.

Further information in relation to the availability of market and data exclusivity and the risks associated with it is set out in paragraph 2.7 of Part 3 of this document and, in particular, the risk factor headed "*Orphan drug designation may not ensure that the Group will enjoy market and data exclusivity in a particular market and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected*".

Manufacturing

The manufacturing of authorised drugs, for which a separate manufacturer's licence is mandatory, must be conducted in strict compliance with the EMA's current GMPs and comparable requirements of other regulatory bodies, which mandate the methods, facilities and controls used in manufacturing, processing and packing of drugs to assure their safety and identity. The EMA enforces its current GMPs through mandatory registration of facilities and inspections of those facilities. The EMA may have a co-ordinating role for these inspections while the responsibility for carrying them out rests with the relevant member state's competent authority under whose responsibility the manufacturer falls. Failure to comply with these requirements could interrupt supply and result in delays, unanticipated costs and lost revenues, and could subject the applicant to potential legal or regulatory action,

including warning letters, suspension of manufacturing and seizure of product, injunctive action or possible civil and criminal penalties.

Marketing and promotion

The marketing and promotion of authorised drugs, including industry-sponsored continuing medical education and advertising directed toward the prescribers of drugs and/or the general public, are strictly regulated in the European Community under Directive 2001/83 in the European Community code relating to medicinal products for human use as amended by Directive 2004/27. The applicable regulation aims to ensure that information provided by holders of marketing authorisations regarding their products is truthful, balanced and accurately reflects the safety and efficacy claims authorised by the EMA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. By the time at which it is expected to achieve its first market authorisation in respect of its first successful product candidate, the Group will have adequate policies, procedures and training in place to ensure compliance with relevant laws and applicable industry codes.

Pricing and Reimbursement

Please refer to paragraph 6.3.3 above for a discussion of the Group's current intentions with respect to pricing and reimbursement in relation to its product candidates.

9.2 ***United States***

In the United States, the FDA regulates drugs and medical devices under the FDCA and regulations implemented by the agency. Any failure to comply with the applicable US requirements at any time during the product development process, including non-clinical testing, clinical testing, the approval process or after approval, could lead to the relevant person becoming subject to administrative or judicial sanctions. These sanctions could include the FDA's refusal to allow such person to proceed with clinical testing, refusal to approve pending applications, licence suspension or revocation, withdrawal of an approval, warning letters, adverse publicity, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution.

Approval or clearance of drugs

The process required by the FDA before a drug may be marketed in the United States generally involves satisfactorily completing each of the following:

- pre-clinical laboratory tests, animal studies and formulation studies all performed in accordance with the FDA's Good Laboratory and Good Manufacturing Practice regulations, as applicable;
- submission to the FDA of an IND application for human clinical testing, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each proposed indication;
- submission of data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product in clinical development and proposed labelling;
- submission to the FDA of a NDA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities, including those of third parties, at which the product is produced to assess compliance with strictly enforced current GMPs;
- a potential FDA audit of the non-clinical and clinical trial sites that generated the data in support of the NDA; and

- FDA review and approval of the NDA before any commercial marketing, sale or shipment of the product.

The testing, collection and submission of data and the preparation of necessary applications are expensive and time-consuming.

Pre-clinical studies and IND application

Pre-clinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animal studies, in order to assess the potential safety and efficacy of the product. The conduct of the pre-clinical tests and formulation of the compounds for testing must comply with federal regulations and requirements. The results of the pre-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND application. The IND becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions about the conduct of the proposed clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In that case, the IND sponsor and the FDA must resolve any outstanding FDA concerns before the clinical trials can begin. Submission of the IND may result in the FDA not allowing the trials to commence or not allowing the trial to commence on the terms originally specified in the IND. If the FDA raises concerns or questions either during this initial 30 day period, or at any time during the IND process, they may choose to impose a partial or complete clinical hold. This order issued by the FDA would delay either a proposed clinical study or cause suspension of an ongoing study, until all outstanding concerns have been adequately addressed and the FDA have notified the company that investigations may proceed.

Clinical trials

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND. An IRB must also review and approve the clinical trial before it can begin and monitor the study until it is completed. The IRB will consider, among other things, clinical trial design, patient informed consent, ethical factors, the safety of human subjects and the possible liability of the institution. The FDA, the IRB or the sponsor may suspend or discontinue a clinical trial at any time or impose sanctions for various reasons, including a finding that the clinical trial is not being conducted in accordance with FDA requirements or the subjects are being exposed to an unacceptable health risk. Clinical testing must also satisfy extensive Good Clinical Practice rules and the requirements for informed consent.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Additional studies may be required after approval.

- *Phase I* clinical trials are initially conducted in a limited population to test the product candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy subjects or, on occasion, in the intended target population, such as cancer patients.

- *Phase II* clinical trials are generally conducted in a limited target population to identify possible adverse effects and safety risks, determine the efficacy of the product candidate for specific targeted indications and determine dose tolerance and optimal dosage. Multiple Phase II clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more costly Phase III clinical trial.

- *Phase III* clinical trials proceed if the Phase II clinical trials demonstrate that a dose range of the product candidate is effective and has an acceptable safety profile. Phase III clinical trials are undertaken in large intended therapeutic populations to further evaluate dosage, provide substantial evidence of clinical efficacy and further test for safety in an expanded and diverse patient population at multiple, geographically dispersed clinical trial sites. A well-controlled, statistically relevant Phase III trial may be designed to deliver the data that the regulatory

authorities will use to decide whether or not to approve a drug: such Phase III studies are referred to as 'pivotal'.

In some cases, the FDA may approve a NDA for a product candidate with the sponsor's agreement to conduct additional clinical trials to further assess the drug's safety and effectiveness after NDA approval. Such post-approval trials are typically referred to as Phase IV clinical trials. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication and to document a clinical benefit in the case of drugs approved under accelerated approval regulations. If the FDA approves a product while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any Phase IV clinical trial requirement. Failure to promptly conduct Phase IV clinical trials could result in withdrawal of approval for products.

The FDA has several programmes that are intended to facilitate and expedite development and review of new drugs to address unmet medical need in the treatment of serious or life-threatening conditions. These programmes are intended to help ensure that therapies for serous conditions are available as soon as it can be concluded that the therapies benefits justify their risks. These programmes include breakthrough therapy designation, fast track designation, priority review and accelerated approval.

New Drug Application

The results of product candidate development, preclinical testing and clinical trials are submitted to the FDA as part of a NDA. The NDA also must contain extensive manufacturing information and detailed information on the composition of the product and proposed labelling as well as payment of a user fee. Once the submission has been accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under the PDUFA, the FDA has ten months in which to complete its initial review of a standard NDA and respond to the applicant, and six months for a priority review of a NDA. The FDA does not always meet its PDUFA goal dates for standard and priority NDAs. The review process is often significantly extended by FDA requests for additional information or clarification. The review process and the PDUFA goal date may be extended by three months if the FDA requests, or the NDA sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

At the conclusion of the FDA's review they will issue an action letter. If the FDA's evaluations of the NDA and the clinical and manufacturing procedures and facilities are favourable and there are no outstanding issues, the FDA will issue an approval letter. If the application is not approved, the FDA will issue a complete response letter, which will contain the conditions that must be met in order to secure final approval of the NDA, and when possible will outline recommended actions the sponsor might take to obtain approval of the application. Sponsors that receive a complete response letter may submit to the FDA information that represents a complete response to the issues identified by the FDA. Such resubmissions are classified under PDUFA as either Class 1 or Class 2. The classification of a resubmission is based on the information submitted by an applicant in response to an action letter. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has two months to review a Class 1 resubmission and six months to review a Class 2 resubmission. The FDA will not approve an application until issues identified in the complete response letter have been addressed.

The FDA may also refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of the advisory committee, but it generally follows such recommendations. The FDA may deny approval of an NDA if the applicable regulatory criteria are not satisfied, or it may require additional clinical data or an additional pivotal Phase III clinical trial. Once issued, the FDA may withdraw a drug approval if ongoing regulatory requirements are not met or if safety problems occur after the drug reaches the market. In addition, the FDA may require further testing, including Phase IV clinical trials, and surveillance programmes to monitor the effect of approved drugs which have been commercialised. The FDA has the power to prevent or limit further marketing of a drug based on the results of these post-marketing programmes. Drugs may be marketed only for the approved

indications and in accordance with the provisions of the approved label. Further, if there are any modifications to a drug, including changes in indications, labelling or manufacturing processes or facilities, the FDA's further approval of a new NDA or NDA supplement will be required, necessitating the development of additional data or the conduct of additional pre-clinical studies and clinical trials.

Orphan drug designation

Orphan drug designation in the United States is designed to encourage sponsors to develop drugs intended for rare diseases or conditions. In the United States, a rare disease or condition is statutorily defined as a condition that affects fewer than 200,000 individuals in the United States or that affects more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available the drug for the disease or condition will be recovered from sales of the drug in the United States.

Orphan drug designation qualifies a company for tax credits on 50 per cent. of clinical trial costs, waiver of user fees and market exclusivity for seven years following the date of the drug's marketing approval if granted by the FDA. An application for designation as an orphan product can be made at any time prior to the filing of an application for approval to market the product. A drug becomes an orphan when it receives orphan drug designation from the OOPD at the FDA based on acceptable confidential requests made under the regulatory provisions. The drug must then go through the new drug approval process like any other drug.

A sponsor may request orphan drug designation of a previously unapproved drug or new orphan indication for an already marketed drug. In addition, a sponsor of a drug that is otherwise the same drug as an already approved orphan drug may seek and obtain orphan drug designation for the subsequent drug for the same rare disease or condition if it can present a plausible hypothesis that its drug may be clinically superior to the first drug. More than one sponsor may receive orphan drug designation for the same drug for the same rare disease or condition, but each sponsor seeking orphan drug designation must file a complete request for designation.

The period of exclusivity begins on the date that the marketing application is approved by the FDA and applies only to the indication for which the drug has been designated. The FDA could approve a second application for the same drug for a different use or a second application for a clinically superior version of the drug for the same use. The FDA cannot, however, approve the same drug made by another manufacturer for the same indication during the market exclusivity period unless it has the consent of the sponsor or the sponsor is unable to provide sufficient quantities.

Post-approval regulation

If regulatory approval for marketing of a product or new indication for an existing product is obtained, compliance with all regular post-approval regulatory requirements is required as well as any post-approval requirements that the FDA have imposed as part of the approval process. Sponsors are required to report certain adverse reactions and production problems to the FDA, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labelling requirements. Drug manufacturers and certain of their sub-contractors are required to register their establishments with and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including current GMPs, which impose certain procedural and documentation requirements upon drug manufacturers. Discovery of problems with a product after approval for marketing may result in restrictions on a product, manufacturer, or holder of an approved NDA, including withdrawal of the product from the market.

10. Reasons for Admission and use of proceeds

The Company is raising £30 million, in aggregate, through the Placing (approximately £25.35 million gross proceeds) and the Convertible Loan (approximately £4.65 million gross proceeds). These funds will, in aggregate, be used by the Group to:

- complete development of Infacort® in Europe and the US;
- obtain market authorisation in Europe for its first product, Infacort®, and generate revenues;
- complete development of Chronocort® in Europe and commence development in the US;
- commence the construction of its commercial capability in Europe; and
- pay the costs and expenses associated with the Company's flotation on AIM.

The Directors also believe that Admission will assist the Group in its development by raising its public profile, widening its shareholder base, providing potential future access to development capital to progress its current and future pipeline and enabling it to expand within its chosen specialist endocrine therapy areas. It will provide the Group with the ability to incentivise its employees through the Share Incentive Schemes, which should assist it in continuing to attract, retain and motivate high calibre employees.

11. Dividend policy

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

The Board recognises the importance of dividend income to Shareholders and intends to adopt, at the appropriate time, a progressive dividend policy to reflect the expectation of future cash flow generation and long term earnings potential of the Group. However, it is not the current intention of the Board to declare any dividends in the near term. The Board may revise the Company's dividend policy from time to time in line with the actual results of the Company.

12. Details of the Placing

The Placing comprises the placing by Numis, as agent for the Company, of 17,603,759 Placing Shares with institutional and other investors. The Placing will raise approximately £23.75 million (net of expenses) for the Company. The Placing Shares will represent approximately 33.72 per cent. of the Enlarged Share Capital. The Placing is not being underwritten. In addition, IP2IPO is providing approximately £4.65 million to the Company by way of the Convertible Loan in accordance with the terms of the Convertible Loan Agreement, further information in respect of which is set out in paragraph 12.11 of Part 7 of this document.

The EIS Placing Shares will be issued to certain investors seeking to benefit from the tax advantage pursuant to the EIS legislation. The Company has received advance assurance from HMRC that the EIS Placing Shares will satisfy the requirements for tax relief under EIS.

The Directors (other than Sam Williams) and John Porter and Daniel Margetson (members of the Group's Senior Management Team) are subscribing for 110,413 Placing Shares, in aggregate, at the Placing Price. The Board and the Group's Senior Managers will, at Admission, hold approximately 3.2 per cent. of the Company's Enlarged Share Capital. Further details of the Directors' and Senior Managers' interests are set out in paragraph 8.4 of Part 7 of this document.

The Placing is conditional, *inter alia*, on:

- the EIS Placing Shares having been issued;
- the Placing Agreement becoming unconditional and not having terminated in accordance with its terms prior to Admission; and
- Admission occurring by no later than 24 December 2015 (or such later date as Numis and the Company may agree, being no later than 31 March 2016).

The EIS Placing Shares will be issued on 23 December 2015, being the business day prior to the intended date of Admission. The issue of the EIS Placing Shares will therefore not be conditional on Admission.

The Placing Shares will be issued fully paid and will, on issue, rank *pari passu* with the all other issued Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of Admission.

Further details of the Placing Agreement are set out in paragraph 12.3 of Part 7 of this document.

13. Lock-in arrangements

In accordance with the provisions of Rule 7 of the AIM Rules, the Directors, the IPG Holders (and certain employees of IP2IPO who will at Admission directly hold Ordinary Shares legally and beneficially), Finance Wales and holders of options under the Share Incentive Schemes (together, the "**AIM Rule 7 Holders**"), representing in aggregate 36,977,485 Ordinary Shares and 70.82 per cent. of the Enlarged Share Capital, have entered, or will prior to Admission enter, into irrevocable undertakings that they will not (and will procure, insofar as they are able, that any of their associates will not) dispose of any interest in Ordinary Shares held by them or their associates for a period of 18 months from Admission (the "**Initial Period**"), subject to certain customary exceptions. They have each also undertaken, or will undertake, that they will not (and will procure, insofar as they are able, that any of their associates will not) dispose of any interest in Ordinary Shares for a period of 12 months following the expiry of the Initial Period unless such disposal is effected through the Company's broker (from time to time), to ensure an orderly market, again, subject to certain customary exceptions.

Other Existing Shareholders representing, in aggregate, 4,730,500 Ordinary Shares (which, together with the AIM Rule 7 Holders' aggregate holdings of 36,977,485 Ordinary Shares, represent, in aggregate, 79.88 per cent. of the Enlarged Share Capital), have entered, or will prior to Admission enter, into irrevocable undertakings that they will not (and will procure, insofar as they are able, that any of their associates will not) dispose of any interest in Ordinary Shares held by them for a period of six months from Admission, subject to certain customary exceptions. These Existing Shareholders are not, and will not be, subject to any orderly market restrictions following the expiry of the initial six month lock-in period.

Further details of the Lock-in Agreements are set out in paragraphs 12.4 and 12.5 of Part 7 of this document.

14. Relationship Agreements

The IPG Holders and Finance Wales have agreed to subscribe for 5,624,600 Ordinary Shares and 1,388,888 Ordinary Shares, respectively, as part of the Placing.

On Admission, the IPG Holders will hold 23,808,100 Ordinary Shares, in aggregate, representing 45.60 per cent. of the Enlarged Share Capital.

In addition, IP2IPO has agreed to provide the Convertible Loan to the Company on the terms of the Convertible Loan Agreement, which provide that IP2IPO may convert the principal amount outstanding pursuant to the Convertible Loan into such number of Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement. However, any purported conversion under the Convertible Loan Agreement is deemed to be immediately and automatically withdrawn and such purported conversion null and void and no such conversion shall occur in the event that any such conversion would cause IP2IPO to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 of ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 of the ITA 2007) of the Company; or (iii) give rise to an obligation on IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code (as more particularly described in paragraph 12.11 of Part 7 of this document).

On Admission, Finance Wales will hold 11,534,888 Ordinary Shares, in aggregate, representing 22.09 per cent. of the Enlarged Share Capital.

Due to the number of Ordinary Shares held across the IPG Holders and Finance Wales at Admission (and IP2IPO's conversion rights pursuant to the Convertible Loan Agreement), each of the IPG Holders and Finance Wales (together with their respective associates) has entered into the Relationship Agreements, pursuant to which they have respectively agreed that, for so long as each of them, across their various entities, is a substantial shareholder (being a shareholder holding in excess of 25 per cent. of the issued share capital of the Company), the Company will be capable of carrying on its business independently and that all future transactions between the Company and the IPG Holders or Finance Wales, respectively, will be at arm's length.

In addition, under the Relationship Agreements, any transaction, arrangement or agreement between any part of the Group and the IPG Holders or Finance Wales, as the case may be (or persons connected to them), must have the prior approval of the Board (with any Director appointed by the IPG Holders or Finance Wales, as the case may be, abstaining from voting on any such resolution).

As Finance Wales will only hold 11,534,888 Ordinary Shares, in aggregate, representing 22.09 per cent. of the Enlarged Share Capital at Admission, the provisions referred to in the preceding paragraphs will not apply to it with effect from Admission and will only become effective if and when the shareholding threshold referred to above is crossed.

In addition, under the Relationship Agreements, each of the IPG Holders and Finance Wales has the power, for so long as the IPG Holders or Finance Wales, as the case may be, hold 10 per cent. or more of the Company's issued share capital, to appoint one Director to the Company's Board, and to remove and replace that Director as it sees fit (conditional on the approval of the Company's Nominated Adviser at that time). At the time of Admission, the nominated Director (on behalf of the IPG Holders) is Sam Williams and the nominated Director (on behalf of Finance Wales) is Alan Raymond.

Further information on the Relationship Agreements is set out in paragraph 12.6 of Part 7.

15. Applicability of the City Code and concert parties

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company. Any person who, together with its concert parties, holds more than 50 per cent. of a company's voting rights, is not normally subject to such a requirement as a result of any acquisition by such person or its concert parties of any further shares carrying voting rights in the company, save that the Takeover Panel will regard as giving rise to an obligation to make an offer the acquisition by a single member of a concert party of shares sufficient to increase its individual holding to 30 per cent. or more of a company's voting rights, or, if it already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases its holding of shares carrying voting rights in that company.

With effect from Admission, the IPG Holders and certain persons connected with them will be considered to be acting in concert with one another for the purposes of the City Code. In addition, the IPG Holders and those persons connected with them will, with effect from Admission, also be considered to be acting in concert with Invesco as a consequence of Invesco's shareholding in IPG. Similarly, the entities comprising Finance Wales will also be considered to be acting in concert with one another.

There will also be certain other concert parties amongst the Existing Shareholders at Admission. In addition, the Takeover Panel would normally presume that all Existing Shareholders, as a consequence of the Share-

for-Share Exchange, the re-registration of the Company as a public limited company and Admission, will be acting in concert with one another unless that presumption is rebutted. However, the Directors believe that whilst there are a number of distinct concert parties who will hold Ordinary Shares at Admission (as referred to above and in paragraph 6.2 of Part 7 of this document), there has never been any, and will, following Admission continue to be no, "common interest" between the constituents of each of such separate concert parties so identified and that the members of each such separate concert party have historically acted, and provided that they will continue to act, following Admission, independently of each other in relation to their dealings and interactions with the Company, they should not be deemed to be acting in concert with each other. The Company has discussed the position with the Takeover Panel and the Takeover Panel has confirmed that the presumption that all Existing Shareholders at Admission are acting in concert with one another has been rebutted.

Further details on the Invesco and IPG Concert Party, Finance Wales and the other presumed concert parties that may be in existence at Admission, as well as the City Code and its implications in respect of such concert parties are set out in paragraph 6 of Part 7.

16. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may continue to take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

17. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 24 December 2015.

No application has been, or will be, made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

18. EIS status

The Company has received advance assurance from HMRC to confirm that it will issue certificates under section 204 of the Income Tax Act 2007 in respect of Ordinary Shares issued to individuals, following receipt from the Company of a properly completed compliance statement (EIS 1 form) within the prescribed time limit stipulated in section 205(4) of the Income Tax Act 2007. The continuing status of the Ordinary Shares as qualifying for EIS purposes will be conditional on the qualifying conditions being satisfied throughout the relevant period of ownership. Neither the Company nor the Directors give any warranty, representation or undertaking that any investment in the Company by way of EIS shares will remain a qualifying investment for EIS purposes. EIS eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, prospective investors should take their own advice in this regard.

19. Taxation

Your attention is drawn to the information regarding taxation which is set out in paragraph 16 of Part 7 of this document. That information is intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

20. Share options

In order to attract, hire, retain and incentivise a talented workforce and to support the Company's growth, the Group operates the Share Incentive Schemes, further information in respect of which is set out at paragraph 9 of Part 7 of this document.

It is currently intended that the primary long-term incentive arrangement for Executive Directors and selected senior managers will be delivered in the form of "performance share awards" under the performance share award feature of the LTIP. Awards would be granted on an annual basis (ordinarily shortly following announcement of annual results).

Such awards are currently planned at the level of awards over Ordinary Shares on grant equal in value to up to 100 per cent. of base salary (adjusted as necessary to neutralise the cost of exercise where awards are structured as nominal cost options as relevant).

The first performance share awards to Executive Directors under the LTIP will be made following the announcement of the Group's annual results for the financial year ending 30 June 2016 up to such level.

In the normal course of events, such performance share awards under the LTIP will vest three years from award (or upon the assessment of performance conditions, if later) subject to the participant's continued service and to the extent to which performance conditions specified for the awards are satisfied.

Details of the performance conditions for each award to Executive Directors will be disclosed in the relevant Directors' Remuneration Report to the extent that the performance conditions are not considered commercially sensitive in the opinion of the Remuneration Committee.

Selected senior managers and, at the Remuneration Committee's discretion, other employees will also participate in the performance share award element of the LTIP.

A summary of the principal terms of the LTIP is set out in paragraph 9.2.1 of Part 7 of this document.

21. Further information

Your attention is also drawn to the remaining parts of this document, which contain further information on the Group.

PART 2

DIRECTORS AND CORPORATE GOVERNANCE

1. The Directors

The following table lists the names, positions and ages of the current members of the Board:

Name and position	*Age*
Peter Vance Allen, BA ACA (*Non-Executive Chairman*)	59
Martin James Whitaker, BSc PhD (*Chief Executive Officer*)	38
Ian Leslie Ardill, BSc ACA (*Chief Financial Officer*)	48
Richard John Martin Ross, MBBS MD FRCP (*Chief Scientific Officer*)	60
Samuel ("Sam") Cameron Williams, MA PhD (*Non-Executive Director*)	46
Alan Michael Raymond, BSc PhD (*Non-Executive Director*)	62
John Geoffrey Goddard, BA FCA MCT (*Independent Non-Executive Director*)	64

The business address of each Director is Diurnal Group plc, 1 Callaghan Square, Cardiff, CF10 5BT, United Kingdom.

Peter Allen, *BA ACA (Non-Executive Chairman)*

Peter Allen is non-executive Chairman of the Board of Directors of Diurnal and joined the Group in July 2015. Peter has over 20 years' experience in senior board positions in a wide portfolio of healthcare companies. He is currently non-executive Chairman of AIM-quoted Advanced Medical Solutions plc, main market-quoted Future plc, AIM-quoted Clinigen plc, as well as privately owned Oxford Nanopore Technologies Ltd. Previously, Peter was Chairman and interim Chief Executive Officer of ProStrakan Group Plc and spent three years as Chairman of Proximagen Neuroscience Plc (now Proximagen Group Limited). Prior to this, he was Chief Financial Officer of Celltech Group plc ("**Celltech**") between 1992 and 2004. In addition to managing Celltech's flotation process in 1993, Peter played a key role in several strategic acquisitions, including Chiroscience Group plc, Medeva plc and Oxford Glycosciences plc. In 2003, Peter was also appointed Deputy Chief Executive Officer of Celltech until the Company was sold to UCB in 2004. Peter is a qualified chartered accountant by background and has a joint degree in Accountancy and Law.

Martin Whitaker, *BSc PhD (Chief Executive Officer)*

Martin Whitaker is Chief Executive Officer of Diurnal with overall responsibility for delivering the Group's commercial objectives and joined the Group in January 2008, supporting Fusion's investment. Martin has over 18 years' experience in the pharmaceutical industry and has led the Diurnal team to progress the Company's lead products, Chronocort® and Infacort®, into pivotal Phase III clinical trials. Martin is also Director of D3 Pharma Limited which has successfully commercialised Plenachol®, a high dose Vitamin D product prescribed in the UK. Previously, Martin worked for Fusion IP plc with responsibility for commercialising research from the Medical School at the University of Sheffield. Prior to this, Martin was Operations Director of Critical Pharmaceuticals Limited, a venture capital-backed drug delivery company spun out of the University of Nottingham developing long-acting growth hormone products. Martin is a biochemist by background and has a PhD in Pharmaceutical Science from the University of Nottingham and a BSc (Hons) in Biochemistry from Bristol University. Martin also spent a year working for the pharmaceutical company, Pfizer, in Sandwich (UK).

Ian Ardill, *BSc ACA (Chief Financial Officer)*

Ian Ardill is Chief Financial Officer of Diurnal and joined the Group in April 2015. Ian has over 20 years' experience in senior financial positions. Before joining the Group, Ian was CFO of two listed companies: Lombard Medical Technologies plc for over three years and Biocompatibles International plc for over six years. At Lombard Medical, Ian led the company financially through the late stages of FDA pre-market approval and the commencement of US commercial operations. On the financing front, he managed a

£22 million AIM fundraising and the company's $55 million NASDAQ IPO, involving the cancellation of admission to trading on AIM and re-domicile. At Biocompatibles International, Ian played a leading role in transforming the company from a loss-making to a profitable enterprise with sales of £33 million. He also managed the successful £177 million sale of the business to BTG Plc in 2011 and two returns of capital to shareholders totalling £23 million. In addition, Ian was responsible for the implementation of a dividend programme at Biocompatibles International. Ian has also worked at Novartis Pharmaceuticals, the Compass Group, NHA International and Grant Thornton. Ian is a qualified chartered accountant.

Richard Ross, *MBBS MD FRCP (Chief Scientific Officer)*

Richard Ross is a founding Director of Diurnal and Chief Scientific Officer and is contracted to perform work for the Group by the University pursuant to the terms of the University Secondment Agreement and the University Research Agreement (please see the detailed description of his service arrangements, including the University Secondment Agreement and the University Research Agreement, set out at paragraph 8.7(c) and paragraphs 12.9 and 12.10 of Part 7 of this document). He is a Professor of Clinical Endocrinology and Head of the Academic Unit of Diabetes, Endocrinology and Metabolism at the University of Sheffield and was previously a Senior Lecturer at St. Bartholomew's Hospital, London. Richard's primary research interest is pituitary and adrenal disease with a particular focus on hormone replacement. His research has yielded over 200 papers, more than 30 granted patents and publications in Nature Medicine, Nature Reviews Endocrinology, Nature Genetics, The Lancet, The BMJ and PNAS. He has been a member of the editorial boards of Clinical Endocrinology and the Journal of Clinical Endocrinology and Metabolism and served as an elected member of the executive committees for the European Society of Endocrinology (Treasurer), the Society for Endocrinology and Growth Hormone Research Society.

Sam Williams, *MA PhD (Non-Executive Director, Board representative of the IPG Holders)*

Sam Williams has 18 years' experience in the biotechnology industry, both as a top-ranked equity analyst in the City and, subsequently, as an entrepreneur and Chief Executive. Sam was appointed to the board of Diurnal Limited by IP2IPO in October 2014. From 2002 to 2007 he worked at Lehman Brothers where he was ranked the number one European biotechnology equity analyst by Institutional Investor magazine three years in a row, before becoming Industry Group Leader for Pharmaceuticals and Chemicals. Sam left Lehman Brothers in 2007 to establish Modern Biosciences plc ("**MBS**"), an IPG subsidiary focussed on the development of novel treatments for chronic, inflammatory diseases. As well as being CEO of MBS, Sam now oversees IPG's entire portfolio of biotechnology investments. He is a board member of the UK BioIndustry Association and a non-executive director of AIM-quoted C4X Discovery Holdings Plc. Sam has a PhD from Cambridge University and an MA in Pure and Applied Biology from Oxford University.

Alan Raymond, *PhD (Non-Executive Director, Board representative of Finance Wales)*

Alan Raymond is an industry veteran with over 30 years of international marketing and general management experience within the pharmaceutical and biomedical industry. Alan was appointed to the board of Diurnal Limited by Finance Wales in April 2015. Most recently, Alan was the Sales and Marketing Director at Aesica Pharmaceuticals Ltd ("**Aesica**"). Aesica was subsequently acquired by Consort Medical plc in September 2014. During his career, Alan progressed through senior executive and marketing roles in Banner Pharmacaps, RP Scherer, Reckitt and Colman, Eli Lilly, and MSD, within the UK, Netherlands and Australia. Prior to his industrial career, Alan was a postdoctoral researcher in the Cardiothoracic Research Institute (London) and he holds a PhD in Invertebrate Neurobiology from St. Andrews University.

John Goddard, *BA FCA MCT (Independent Non-Executive Director)*

John Goddard has had a distinguished career in the global pharmaceutical industry, the majority of which was with AstraZeneca, where he was ultimately Head of Group Strategic Planning and Business Development. Prior to his retirement from AstraZeneca in 2010, he was responsible for a 100 strong global team focused on M&A and licensing, which completed around 75 transactions in four years including several acquisitions, in-licensing and out-licensing of compounds and disposals. Latterly, Mr. Goddard became Chairman of two AstraZeneca subsidiaries, Aptium Oncology in the US and Astratech in Sweden. He is currently a non-executive director of Oxford Pharmascience plc and Intas Pharmaceuticals Limited.

John is a Fellow of the Institute of Chartered Accountants and a Member of the Association of Corporate Treasurers. John joined the Group in November 2015.

2. The Senior Management Team

The following table sets out the names, positions and ages of the current members of the Group's senior management team in addition to Peter Allen, Martin Whitaker, Ian Ardill and Richard Ross:

Name and position	*Age*
Michael Withe (*Commercial Director*) (*Employee*)	49
John Porter (*Medical Affairs Director*) (*Employee*)	44
David Eckland (*Medical Director*) (*Sub-contractor*)	61
Daniel Margetson (*CMC Director*) (*Employee*)	39
Hiep Huatan (*Chief Development Officer*) (*Sub-contractor*)	45

The business address of each member of the Group's senior management team is Diurnal Limited, Cardiff MediCentre, Heath Park, Cardiff CF14 4UJ.

Michael Withe *(Commercial Director)*

Michael Withe is Commercial Director at Diurnal with responsibility for delivering the Group's commercial objectives. Michael has over 20 years' experience in the pharmaceutical industry specifically Orphan Drugs and Speciality pharmaceuticals. Previously, Michael worked for Chiesi Limited as Head of Rare Diseases with responsibility for the creation of the Global Rare Disease Franchise and commercialising the first gene therapy and Limbus Stem Cell transplantation in the western world. Prior to this, Michael worked in the area of Lysosomal Storage Disorders for Shire plc and BioMarin Pharmaceutical Inc. Michael is a microbiologist by background with a postgraduate qualification in marketing.

John Porter, *MBBS PhD (Medical Affairs Director)*

John Porter is Medical Affairs Director at Diurnal. John is a paediatric endocrinologist and has 11 years' experience in the pharmaceutical industry. Previously, John had medical director roles at Pfizer Inc., Novartis AG and GlaxoSmithKline plc covering a wide portfolio of medicines in therapy areas including endocrinology, haematology, infectious disease and vaccines. John studied medicine at Oxford and Newcastle-upon-Tyne Universities, qualifying in 1995. He trained in paediatric endocrinology and diabetes and has a PhD in the genetics of paediatric diabetes.

David Eckland, *MBBS PhD (Medical Director)*

David Eckland is the Medical Director at Diurnal. David has worked in both large and small pharmaceutical companies on small molecules and biotechnology products. David's experience spans all phases of clinical development, though he has particular expertise in translation medicine. After training in endocrinology in London, he joined GlaxoSmithKline plc and then moved to become Managing Director of Takeda Europe with responsibility for all European R&D activities. David has written numerous regulatory documents and has presented to many regulators, both in the US and Europe. Over the course of his career, he has taken products from Phase 1, through regulatory approval and into post-approval studies and, in addition, has lectured on Clinical Trial Design at University College London.

Daniel Margetson, *PhD (CMC Director)*

Daniel Margetson is Director of Chemistry, Manufacturing & Controls with responsibility for managing the CMC development activities for Diurnal's programmes. Daniel brings 20 years of pharmaceutical experience in Research & Development, Commercial Supply Chain and Strategic Collaborations roles. Prior to joining Diurnal, Daniel worked at Shire plc contributing to the development and globalisation of Vyvanse® and managing commercial supply chain for Lialda® and Pentasa®, at Eisai, he supported the transfer of Aricept® commercial production from Japan to the UK. Daniel worked at GlaxoSmithKline plc for 13 years across all phases of product development and was instrumental in developing several patented drug delivery

technologies that were sold or commercialised. Daniel is experienced operating in a virtual business environment, managing CDMOs in the UK, US, Europe and India. Daniel holds a PhD in Pharmaceutics from Queen's University Belfast and a degree in Pharmaceutical Sciences from the University of Greenwich, London. He is a member of the UK and Ireland Controlled Release Society and the Royal Society of Chemistry.

Hiep Huatan, *PhD (Chief Development Officer)*

Hiep Huatan is a pharmaceutical development consultant and Managing Director of H2 Pharma Consulting Limited and D3 Pharma Limited. Prior to this, Hiep held the position of VP, Research and Development at Phoqus Pharmaceuticals plc, an AIM-quoted biotechnology company. Before joining Phoqus Pharmaceuticals, Hiep held a number of senior positions at Pfizer Inc. Global R&D (UK), where he was involved with the development and successful registration of Revatio® in Europe and the US, Tikosyn® in Japan and Revolution® in Europe. Hiep has over 15 years of pharmaceutical and biotechnology product development experience. Hiep graduated in Pharmacy from the University of Nottingham and gained his PhD in Pharmaceutics from the University of Manchester. Hiep is a qualified pharmacist and a registered member of the Royal Pharmaceutical Society of Great Britain.

3. Corporate governance

The Board seeks to follow best practice in corporate governance to the extent appropriate to the Company's size, nature and stage of development and in accordance with the regulatory framework that applies to AIM companies. The Board intends to review and apply the principles and provisions of the QCA corporate governance code for small and mid-sized companies where it is appropriate to do so to support the governance framework. The main features of the Group's corporate governance arrangements are:

- The Board of Directors intends to meet at least six times per year for formal Board Meetings. It will approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a scientific project. There is a formal schedule of matters reserved for decision by the Board in place.
- The Board of Directors includes two Directors who are considered by the Directors to be independent for the purposes of the QCA corporate governance code, Peter Allen and John Goddard. Whilst Peter Allen has been the Group's non-executive chairman since July 2015, he had no association with, and was independent from, the Group at the time of his appointment and, as such, the Directors consider that he satisfies the independence criteria set out in the QCA corporate governance code.
- The Group has an Audit Committee, Remuneration Committee and a Nominations Committee as below. Each committee has terms of reference (as described at paragraph 4 below).

4. Board Committees

The Board has established three committees: the Audit, Remuneration and Nomination Committees, each with written terms of reference. If the need should arise, the Board may set up additional committees, as appropriate.

4.1 ***Audit Committee***

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in that process. It focuses, in particular, on compliance with accounting policies and ensuring that an effective system of internal and external audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The Audit Committee will meet at least three times a year at the appropriate times in the financial reporting and audit cycle and at such other times as may be deemed necessary.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements of any quorum for, and the right to attend, meetings. The responsibilities of the Audit Committee covered in its terms of reference include the following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The Audit Committee currently comprises four members, who are all Non-Executive Directors: John Goddard, Peter Allen, Alan Raymond and Sam Williams. The committee is chaired by John Goddard.

4.2 ***Remuneration Committee***

The Remuneration Committee has responsibility for determination of specific remuneration packages for each of the Executive Directors and certain senior executives of the Group, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share incentive, or other performance-related schemes. It will meet at least twice a year and at such other times as may be deemed necessary. The Remuneration Committee will also generate an annual remuneration report to be approved by the members of the Company at the annual general meeting.

The responsibilities of the Remuneration Committee covered in its terms of reference include the following: determining and monitoring policy on and setting levels of remuneration, termination, performance-related pay, pension arrangements, reporting and disclosure, share incentive plans and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The Remuneration Committee comprises four members, all of whom are Non-Executive Directors: Alan Raymond, John Goddard, Peter Allen and Sam Williams. The committee is chaired by Alan Raymond.

4.3 ***Nomination Committee***

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee's terms of reference deal with such things as membership, quorum and reporting responsibilities. The Nomination Committee will meet at least twice a year and at such other times as may be deemed necessary.

The Nomination Committee comprises four members, all of whom are Non-Executive Directors: Peter Allen, John Goddard, Alan Raymond and Sam Williams. The committee is chaired by Peter Allen.

5. Share Dealing Code

The Company has adopted, with effect from Admission, a code on dealings in relation to the securities of the Group (the "**Share Dealing Code**"). The Company shall require the Directors and other relevant employees of the Group to comply with the Share Dealing Code and shall take all proper and reasonable steps to secure their compliance.

6. Bribery Act 2010

The government of the United Kingdom has issued guidelines setting out appropriate procedures for all companies to follow to ensure that they are compliant with the Bribery Act 2010 (the "**Bribery Act**") which has been in force since 1 July 2011. The Group has reviewed its operational procedures in the light of the Bribery Act and implemented appropriate procedures.

7. Employees

The table below sets out the average number of employees, including Executive Directors of the Group, for the financial years ended 27 May 2013, 27 May 2014 and the financial period ended 30 June 2015.

	Financial period ended		
	27 May 2013	*27 May 2014*	*30 June 2015*
Research and development	1	2	4
Administration	–	–	1
Average number of employees during the period	1	2	5

The Group's workforce is comprised of both full and part-time salaried employees and also a number of sub-contractors. The table above shows the Group's employees only.

PART 3

RISK FACTORS

Any investment in the Placing Shares is subject to a number of risks. Prior to investing in the Placing Shares, prospective investors should consider carefully the factors and risks associated with any such investment, the Group's business and the industries in which it operates, together with all other information contained in this document including, in particular, the risk factors described below.

The risks and uncertainties described below represent those the Directors consider to be material as at the date of this document. However, these risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition and, if any or a combination of such risks should occur, the price of Ordinary Shares may decline and investors could lose all or part of their investment. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks of the scope of any potential harm to the Group's business prospects, results of operations and financial condition. Investors should consider carefully whether an investment in the Placing Shares is suitable for them in the light of the information in this document and their personal circumstances.

1. General risks

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

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

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

2. Risks relating to the Group's business

2.1 *Risks relating to the Group being at a development-stage*

The Group is a development stage biotechnology and pharmaceutical group and has a limited operating history on which to assess its business. It has incurred losses over the last several years and anticipates that it will continue to incur losses for the foreseeable future

The Group is a development-stage biotechnology and pharmaceutical company with a limited operating history. It has not yet demonstrated an ability to complete a Phase III, pivotal clinical trial, obtain regulatory approval or manufacture and commercialise a product candidate successfully. The Directors do not expect to achieve any market authorisations in Europe and/or the US for the Group's two main product candidates, Infacort® and Chronocort®, for the initial indications (Infacort® for AI and Chronocort® for CAH) before Q3 2017 at the earliest, when market authorisation for Infacort® in Europe is expected. Consequently, the Group has no meaningful commercial operations upon which to evaluate its business and predictions about its future success or viability may not be as accurate as they could be if it had a history of successfully developing and commercialising pharmaceutical products.

Since inception, the Group has incurred operating losses and has devoted substantially all of its financial resources to licensing, acquiring and identifying, researching and developing its product candidates, including conducting clinical trials and providing general and administrative support for those operations to build its business infrastructure.

To date, the Group has financed its operations primarily through private placements of equity securities and convertible debt, together with grant funding received through its membership of the TAIN Consortium. The amount of its future net losses will depend, in part, on the rate of its future expenditures and its ability to obtain funding through equity or debt financings and strategic collaborations, it is not expected that the Group will seek further grant funding in the future. To become and remain profitable, the Group must develop and eventually commercialise one or more of its product candidates with significant market potential. Biotechnology and pharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. It may be several years, if ever, before the Group receives regulatory approval and has a product candidate approved for commercialisation. Even if the Group obtains regulatory approval to market a product candidate, its future revenue will depend upon the size of any markets in which its product candidates may receive approval and its ability to achieve market acceptance and adequate market share for its product candidates in those markets. Further, because the potential markets in which its product candidates may ultimately receive regulatory approval are relatively small in terms of patient prevalence, as exemplified by Orphan Drug Designations and PUMAs, it may never become profitable despite obtaining such market share and acceptance of its product candidates.

The Directors expect the Group to continue to incur significant expenses and increasing operating losses for the foreseeable future. It is anticipated that the Group's expenses will increase substantially as it:

- continues research and non-clinical and clinical development of its product candidates, including advancing certain programmes from pre-clinical development into clinical trials and increasing the number and size of its current clinical trials and pre-clinical studies;
- seeks to identify, assess, in-license, acquire and develop additional product candidates;
- changes or adds manufacturers or suppliers;
- seeks regulatory approvals for its product candidates that successfully complete clinical trials (any failure to obtain regulatory/marketing approvals within any anticipated timeframes may further increase costs);
- establishes a sales, marketing and distribution infrastructure to commercialise any product candidates for which it may obtain regulatory approval;
- seeks to maintain, protect, defend and expand its intellectual property portfolio;
- seeks to attract, hire and retain skilled personnel (and incentivise them through appropriate remuneration packages);
- creates additional infrastructure to support its operations as a company whose securities are admitted to trading on AIM and its product development and planned future commercialisation efforts; and
- experiences any delays or encounters issues with any of the above, including, but not limited to, any failed pre-clinical studies or clinical trials, complex results, safety issues or other regulatory challenges that may require either longer follow-up of existing pre-clinical studies or clinical trials or limitation of additional pre-clinical studies or clinical trials in order to pursue regulatory approval.

Further, the net losses that the Group may incur may fluctuate significantly from financial period to financial period, such that a period-to-period comparison of the Group's results of operations may not be a good indication of its future performance. Moreover, if the Group incurs substantial losses, it

could be liquidated, wound-up or enter into administration, and the value of the Ordinary Shares might be significantly reduced or be of no value.

The Group has never generated any revenue from product sales and may never be profitable

The Group currently has no products approved for sale, may never be able to obtain regulatory approval for, or commercialise, any of its product candidates and has never generated any revenue from product sales. The Group's ability to generate future revenue from product sales depends heavily on its success in many areas, including, but not limited to:

- completing research, pre-clinical or clinical development, as applicable, of its product candidates, including successfully completing clinical trials of its product candidates;
- identifying, assessing, in-licensing, acquiring and/or developing new product candidates;
- integrating product candidates that the Group in-licenses or acquires, as well as completing research, formulation and process development, and pre-clinical or clinical development, as applicable, of those product candidates, including successfully completing clinical trials of those product candidates;
- obtaining regulatory approval for its product candidates;
- obtaining, maintaining, protecting and expanding the Group's portfolio of intellectual property rights, including patents, trademarks, trade secrets and know-how for its product candidates;
- managing additional costs as it advances development of its product candidates, for example, through being able to agree clinical trial design and satisfactory clinical trial endpoints with regulators in a timely and efficient manner without necessitating prolonged discussion or significant redesign;
- developing a sustainable and scalable manufacturing process for its product candidates, if approved;
- maintaining supply and manufacturing relationships with third parties that can conduct the manufacturing process and provide adequate, in amount and quality, products to support clinical development and the market demand for the Group's product candidates, if approved;
- developing a commercial organisation and launching and commercialising product candidates for which the Group obtains regulatory approval, either directly or with third party collaborators or distributors;
- negotiating favourable terms in any collaboration, licensing or other arrangements into which the Group may enter;
- obtaining market acceptance of the Group's product candidates as viable treatment options;
- addressing any competing technological and market developments; and
- attracting, hiring, retaining and incentivising qualified personnel.

Given the numerous risks and uncertainties associated with biotechnology and pharmaceutical product development, the Directors are unable to predict accurately the timing or amount of increased expenses or when, or if, the Group will be able to achieve profitability. The Group's expenses could increase beyond expectations if it is required by regulatory agencies to perform non-clinical and pre-clinical studies or clinical trials in addition to those that are currently anticipated.

2.2 ***Risks relating to the development and pre-clinical and clinical testing of the Group's product candidates***

The Group depends entirely on the success of a limited number of product candidates which are still in pre-clinical or clinical development. If the Group does not obtain regulatory approval for its product candidates or it experiences delays in doing so, its financial performance may be affected

The Group has invested, and continues to expect to invest, the majority of its efforts and financial resources in the development of a limited number of product candidates: Chronocort®, Infacort®, Rheumacort®, Native Oral Testosterone and Tri4Combi, which are still in clinical or pre-clinical development, as the case may be. The Group's ability to generate product revenues, which it does not expect will occur for at least the next several years, if ever, will depend heavily on its successful development and eventual commercialisation, if approved, of one or more of its product candidates and, in particular, its two key product candidates, Chronocort® and Infacort®. The Group is not permitted to market or promote any of its product candidates before it receives relevant regulatory approvals from the EMA and FDA or any other comparable regulatory agency and it may never receive such regulatory approval for any of its product candidates. The success of Chronocort® and Infacort®, and the Group's early stage development product candidates, Rheumacort®, Native Oral Testosterone and Tri4Combi, will depend on several additional factors, including, but not limited to, the following:

- successfully completing formulation and process development activities;
- successfully completing clinical trials that demonstrate the efficacy and safety of the Group's product candidates and maintaining an acceptable safety profile following approval;
- the ease and efficiency with which regulatory approval can be obtained; and
- the market for the Group's product candidates not changing during their development programme such that they do not become unreasonable to continue to develop.

Many of these factors are beyond the Group's control. If the Group does not achieve one or more of these factors in a timely manner or at all, it could experience significant delays or an inability to complete clinical trials successfully or eventually to commercialise its product candidates, if approved.

Clinical trials are expensive, time consuming and difficult to design and implement and involve uncertain outcomes. Furthermore, results of earlier pre-clinical studies and clinical trials may not be predictive of results of future pre-clinical studies or clinical trials

To obtain the requisite regulatory approvals to market and sell any of the Group's product candidates, it must demonstrate, through extensive pre-clinical studies and clinical trials, that its product candidates are safe and effective in humans. Clinical testing is expensive and can take many years to complete and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and earlier clinical trials may not be predictive of the results of later-stage clinical trials. For example, the results generated to date in pre-clinical studies or Phase I or Phase II clinical trials for the Group's product candidates do not ensure that later pre-clinical studies or clinical trials will demonstrate similar results. Further, the Group has limited clinical data for its product candidates and has not completed Phase III clinical trials for any of its product candidates. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. The Group may suffer setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier clinical trials. In addition, the Group may experience delays in its ongoing or future pre-clinical studies or clinical trials and it does not know whether future pre-clinical studies or clinical trials will begin on time, need to be redesigned, enrol an adequate number of subjects or patients on time or be completed on schedule, if at all. By way of example, both the US trial designs for Chronocort® in CAH and for Infacort® in AI have not yet been agreed with

the FDA, which may lead to an increase in data collection, sample patient population and, ultimately, time and cost beyond what has been budgeted. Clinical trials may be delayed, suspended or terminated for a variety of reasons, including delay or failure to:

- obtain authorisation from regulators or institutional review boards to commence a clinical trial at a prospective clinical trial site;
- reach agreements on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites;
- recruit and enrol a sufficient number of patients in clinical trials to ensure adequate statistical power to detect statistically significant treatment effects;
- address any non-compliance with regulatory requirements or safety concerns that arise during the course of a clinical trial;
- have patients complete clinical trials or return for post-treatment follow-up;
- have CROs or other third parties comply with regulatory requirements, adhere to the trial protocol or meet contractual obligations in a timely manner or at all;
- identify a sufficient number of clinical trial sites and initiate them within the planned timelines;
- manufacture sufficient quantities of the product candidate to complete clinical trials;
- unexpected safety issues; and
- the availability of investigators or subjects.

Positive or timely results from pre-clinical or early stage clinical trials do not ensure positive or timely results in late stage clinical trials or regulatory approval by the EMA or FDA or any other comparable regulatory agency. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of product candidates. Pre-clinical and clinical data are often susceptible to varying interpretations and analyses. The EMA, FDA and other comparable regulatory agencies have substantial discretion in the approval process and in determining when or whether regulatory approval will be obtained for any of the Group's product candidates. Even if the Directors believe that the data collected from clinical trials of the Group's product candidates are promising, such data may not be sufficient to support approval by the EMA, FDA or any other comparable regulatory agency.

In some instances, there can be significant variability in safety or efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in clinical trial procedures set out in protocols, differences in the size and type of the patient populations, adherence to the administration regimen and other clinical trial protocols and the rate of drop-out among clinical trial participants. In the case of the Group's late stage clinical product candidates, Chronocort® and Infacort®, results may differ in general, when compared to the results obtained in Phase I and Phase II clinical trials, on the basis of the larger number of clinical trial sites and additional countries involved in Phase III clinical trials. Different countries have different standards of care and different levels of access to care for patients, which, in part, drives the non-uniform, or varying, nature of the patient populations that enrol in the Group's studies.

The regulatory approval processes of the EMA, FDA and other comparable regulatory agencies may be lengthy, time-consuming and unpredictable

The Group's future success is dependent upon its ability to develop successfully, obtain regulatory approval for and then successfully commercialise one or more of its product candidates. There can be no assurance that any of the Group's product candidates will be successful in clinical trials or receive

regulatory approval. Applications for any of the Group's product candidates could fail to receive regulatory approval for many reasons, including, but not limited to, the following:

- the EMA, FDA or any other comparable regulatory agency may disagree with the design or implementation of the Group's clinical trials or the Group's interpretation of data from non-clinical trials or clinical trials;
- the population studied in the clinical programme may not be sufficiently broad or representative to assure that the clinical data can be relied on safely in the full population for which the Group is seeking approval;
- the data collected from clinical trials of the Group's product candidates may not be sufficient to support a finding that has statistical significance or clinical meaningfulness or support the submission of a new drug application or other submission, or to obtain regulatory approval in relevant jurisdictions, such as Europe and the US;
- the Group may be unable to demonstrate to the EMA, FDA or any other comparable regulatory agency that a product candidate's risk-benefit ratio for its proposed indication is acceptable;
- the EMA, FDA or any other comparable regulatory agency may fail to approve the manufacturing processes, test procedures and specifications or facilities of third-party manufacturers with which the Group contracts for clinical and commercial supplies; and
- the approval policies or regulations of the EMA, FDA or any other comparable regulatory agency may significantly change in a manner rendering the Group's clinical data insufficient for approval.

Any of the Group's current or future product candidates could take a significantly longer time to gain regulatory approval than expected or may never gain regulatory approval. This could delay or eliminate any potential product revenue by delaying or terminating the potential commercialisation of the Group's product candidates.

The Group intends to seek regulatory approvals to commercialise its product candidates in Europe and the United States and, in due course, other key global markets, such as Japan, Australia, Canada and Asia Pacific. To obtain regulatory approval in other countries, the Group must comply with numerous and varying regulatory requirements of such other jurisdictions, which may include (without limitation) safety, efficacy, chemistry, manufacturing and controls, clinical trials, commercial sales, pricing and distribution of its product candidates. Even if the Group is successful in obtaining approval in one jurisdiction, there can be no guarantee that it will obtain approval in other jurisdictions. Failure to obtain marketing authorisations for its product candidates will result in the Group being unable to market and sell such products. If the Group fails to obtain approval in any jurisdiction, the geographic market for its product candidates could be limited. Similarly, regulatory agencies may not approve the labelling claims that are necessary or desirable for the successful commercialisation of the Group's product candidates.

If serious adverse, undesirable or unacceptable side effects are identified during the development of the Group's product candidates or following regulatory approval, if any, the Group may need to abandon its development and/or commercialisation of such product candidates

If the Group's product candidates are associated with serious adverse, undesirable or unacceptable side effects, the Group may need to abandon their development or limit their development to certain uses or sub-populations in which such side effects are less prevalent, less severe or more acceptable from a risk-benefit perspective. It is relatively common in the biotechnology and pharmaceutical sector for compounds that initially showed promise in pre-clinical or early stage testing to later be found to cause side effects that restrict their use and prevent further development of the compound for larger indications. Occurrence of serious treatment-related side effects could impede clinical trial enrolment, require the Group to halt the relevant clinical trial and prevent receipt of regulatory approval from the

EMA, FDA or any other comparable regulatory agency. They could also adversely affect physician or patient acceptance of the Group's product candidates.

Additionally, if one or more of the Group's product candidates receives regulatory approval, and the Group or others later identify undesirable side effects caused by such product candidates, a number of potentially significant negative consequences could result, including, but not limited to:

- withdrawal by regulatory authorities of approvals of such product;
- seizure of the product by regulatory authorities;
- recall of the product;
- restrictions on its permissible uses and the marketing of the product, including, potentially, the complete withdrawal of the product from the market;
- requirement by regulatory authorities of additional warnings on the label;
- requirement that the Group creates a medication guide outlining the risks of such side effects for distribution to patients;
- commitment to expensive additional safety studies prior to launch as a pre-requisite of approval by regulatory authorities of such product;
- commitment to expensive post-marketing studies as a pre-requisite of approval by regulatory authorities of such product;
- initiation of legal action against the Group claiming to hold it liable for harm caused to patients (see the risk below); and
- harm to the Group's reputation and resulting harm to physician or patient acceptance of the Group's products.

Any of these events could prevent the Group from achieving or maintaining market acceptance of the particular product candidate, if approved, and could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group may become exposed to costly and damaging liability claims, either when testing its product candidates in the clinic or at the commercial stage and its product liability insurance may not cover any and all damages from such claims

The Group is exposed to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of biotechnology and pharmaceutical products. The current and future use of product candidates by the Group in clinical trials, and the sale of any approved products in the future, may expose it to liability claims. These claims might be made by patients that use the product, healthcare providers, pharmaceutical companies, or others selling such products. Any claims against the Group, regardless of their merit, could be difficult and costly to defend and could compromise the market acceptance of the Group's product candidates or any prospects for the commercialisation of its product candidates, if approved.

Although the clinical trial process is designed to identify and assess potential side effects, it is always possible that a drug, even after regulatory approval, may exhibit unforeseen side effects. If any of the Group's product candidates were to cause adverse side effects during clinical trials or after approval of the product candidate, the Group may be exposed to substantial liabilities.

The Group purchases liability insurance in connection with its clinical trials. It is possible, however, that its liabilities could exceed its insurance coverage or that its insurance coverage may otherwise prove inadequate or not cover all risks that may potentially arise in connection with the Group's clinical trials. The Group intends to expand its insurance coverage to include the sale of commercial products if and at the time that it obtains regulatory approval for any of its product candidates.

However, it may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against the Group for uninsured liabilities or in excess of insured liabilities, its assets may not be sufficient to cover such claims, its insurance premia may increase and its business operations could be impaired.

The Group is dependent on technology and product development

In order for the Group to be successful, continued research and development of additional technologies and products will be required. There can be no assurance that any of the Group's targeted developments will be successful. The Group may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, in order to develop technologies and product candidates suitable for commercialisation. If the Group's development programme is curtailed due to any of the above issues, this could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group receives grant funding in relation to its clinical trials and there is a risk that some or all of such funding may be clawed-back in the event that project targets are not met or the Group is otherwise unable to satisfy the conditions for such funding to continue to be provided

The Group has received, and continues to receive, grant funding from the European Commission in relation to the TAIN project which has been, and continues to be, used to part-fund the Group's Phase II and Phase III clinical trials for its Infacort® product candidate. The project has been extended through to the end of November 2016. To date, the Group has carried out two audits (which have been reviewed by the European Commission) and there have been no adverse findings, however, although the projects in respect of which funding was provided are proceeding as expected, there is nevertheless a risk that further funding may not be forthcoming or funding already provided may be clawed-back by the European Commission in the event that project targets are not met, there is a substantial default in respect of the project or the Group is otherwise unable to satisfy the conditions for such funding to continue to be provided, albeit that the Directors believe that the risk of any adverse findings in a subsequent audit is low. Further information in relation to the TAIN project agreements pursuant to which such grant funding is provided is set out in paragraph 11.1 of Part 7 of this document.

2.3 ***Risks relating to the commercialisation of the Group's product candidates***

The Group has never commercialised a product candidate and it may lack the necessary expertise, personnel and resources to commercialise successfully any of its product candidates that receive regulatory approval on its own or together with suitable partners

The Group has never commercialised a product candidate. Its operations to date have been limited to organising and staffing in respect of current and planned operations, business planning, raising capital, identifying, licensing and acquiring potential product candidates and undertaking pre-clinical studies and clinical trials of its product candidates. The Group currently has no sales force or marketing or distribution capabilities. To achieve successful commercialisation of its product candidates, if approved, it will have to develop its own sales, marketing and supply capabilities and/or outsource these activities to third parties or distribution partners.

At present, the Group does not have any in-house sales and marketing capability as the development of its operations to date has not merited it. In the event that any of the Group's product candidates achieve regulatory approval, the Group intends to build a direct sales and marketing team in Europe and the United States in order to be able to promote and commercialise its products effectively. Developing a sales and marketing organisation requires significant investment, is time-consuming and could delay the launch of the Group's product candidates. Any failure to attract, incentivise and retain sufficiently skilled and experienced sales and marketing personnel could therefore have a material adverse on the Group's financial performance, results of operations and prospects. In addition, such personnel are highly sought after throughout the industry and the Group will face significant competition from other market participants for the services of such personnel, meaning that

compensation and incentivisation packages will need to be competitive, which, in turn, could increase the Group's remuneration costs.

As a consequence, the Group may not be able to build an effective sales and marketing organisation in the European Union, the United States or other key global markets. If it is unable to do so, or to find suitable partners for the commercialisation of its product candidates, it may not generate revenues from them which could have a material adverse effect on the Group's business, financial condition, and results of operations.

Even if one or more of the product candidates that the Group develops is approved for commercial sale, it is anticipated that other significant costs associated with commercialising any approved product candidate will be incurred. Further, the Group's revenue will be dependent, in part, upon the size of the markets in the territories for which the Group gains regulatory approval, the accepted price for the product, the ability to obtain coverage and adequate reimbursement. If the number of the Group's addressable patients is not as significant as currently estimated, the indication approved by regulatory authorities is narrower than currently expected or the treatment population is narrowed by competition, physician choice or treatment guidelines, the Group may not generate significant revenue from sales of its product candidates. If the Group is not able to generate sufficient revenue from the sale of any approved products, it may never become profitable. Even if the Group does achieve profitability, it may not be able to sustain or increase profitability on an ongoing basis. Its failure to execute successfully any of the foregoing would decrease the value of the Company and could impair its ability to raise capital, expand its business or continue its operations which, in turn, could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group operates in a highly competitive and rapidly changing industry, which may result in its competitors discovering, developing, protecting or commercialising competing products before or more successfully than the Group does, or the Group entering a market in which a competitor has commercialised an established competing product, and the Group may be unsuccessful in competing with them

The development and commercialisation of new drug products is highly competitive and subject to significant and rapid technological change. The Group's success is dependent upon its ability to in-license, acquire, develop and obtain regulatory approval for new and innovative drug products on a cost-effective basis and to market them successfully. In doing so, it faces, and will continue to face, competition from a variety of businesses, including large, fully integrated, well-established biotechnology and pharmaceutical companies, specialty biotechnology and pharmaceutical companies, academic institutions, government agencies and other private and public research institutions in Europe, the United States and other jurisdictions. Although the Directors expect to have a period of market and data exclusivity in respect of the Group's product candidates afforded by its Orphan Drug Designations and, potentially, by PUMAs, subject to obtaining regulatory approval of its product candidates and no third parties having done so in respect of similar product candidates prior to the Group, and the Directors believe there are currently a limited number of competitors addressing the Group's target markets, the Directors anticipate that competition may increase in the future from new companies entering the endocrinology and rare and orphan disease markets. In addition, the health care industry is characterised by rapid technological change and new product introductions or other technological advancements could make some or all of the Group's product candidates, or products, obsolete.

The highly competitive nature of, and rapid technological changes in, the biotechnology and pharmaceutical industries could render the Group's product candidates or its technology obsolete or non-competitive. The Group's competitors may, among other things:

- have, or develop, similar or better product candidates or technologies, for example, there is an existing modified release hydrocortisone product already on the market in Europe;
- possess greater financial and human resources as well as supporting clinical data;

- develop and commercialise products that are safer, more effective, less expensive, or more convenient or easier to administer;
- obtain regulatory approval more quickly;
- establish superior proprietary positions;
- have access to greater manufacturing capacity;
- have, or seek, patent or other IP protection that competes with, or restricts the development of, the Group's product candidates and activities;
- implement more effective approaches to sales and marketing which may, in turn, lead to superior reimbursement support and pricing advantages over the Group; and
- enter into more advantageous collaborative arrangements for research, development, manufacturing and marketing of products.

The successful commercialisation of the Group's product candidates, if approved, will depend, in part, on the extent to which it can achieve commercial scale manufacturing capability in a timely and efficient manner and to which governmental authorities and health insurers establish adequate coverage, reimbursement levels and pricing policies

The successful commercialisation of the Group's product candidates, if approved, will depend, in part, on its ability, in conjunction with its current and future contract manufacturing partners, to achieve commercial scale. For example, whilst the Group, in conjunction with its current manufacturing partner, Glatt, has achieved commercial scale manufacturing for Infacort®, it has yet to commence the project to achieve the same for Chronocort®. The Directors consider that its current manufacturing capability for Chronocort® is sufficient for the marketing authorisation stage and expect to increase manufacturing scale as the anticipated market approval dates approach. There can, however, be no assurance that the Group will be successful in achieving commercial scale manufacturing capability with effect from the date on which approval is received, or at all, in which case, costs could increase and the Group's ability to generate revenues could be delayed, which could, in turn, adversely affect its financial performance.

In addition, the commercialisation of the Group's product candidates, if approved, depends on the extent to which coverage and reimbursement for them will be available from government and health administration authorities, private health insurers and other third-party payors. To manage healthcare costs, many governments and third-party payors increasingly scrutinise the pricing of new technologies and require greater levels of evidence of favourable clinical outcomes and cost-effectiveness before extending coverage and adequate reimbursement to such new technologies. There can be no assurance that coverage will be available for any product candidate that the Group commercialises and, if available, that the reimbursement rates will be adequate. In Europe, there is a reference price for an existing hydrocortisone-based product used in the treatment of adult AI of approximately $7,000 per patient per annum. The Group does not intend to rely solely on this as a reference price and intends to gather further long term patient data on its products through additional clinical trials to support its pricing and reimbursement negotiations as its product candidates near market authorisation. However, the fact that there is an existing product on the market in Europe for which reimbursement is already available will mean that the Group will have to ensure that its own product candidates, once approved, as well as being competitive in terms of quality of treatment, will also need to be priced competitively in order to secure a satisfactory level of reimbursement. If the Group is unable to obtain adequate levels of coverage and reimbursement for its product candidates, its prospects of generating significant sales and revenue will be compromised as a consequence, as patients, hospitals, physicians and other healthcare providers will use those products or treatments for which such coverage or reimbursement is available.

The Group's potential customers, including hospitals, physicians and other healthcare providers, rely on third-party payors, whether governments or private medical insurers, to pay for all or part of the

costs and fees associated with the drug and the procedures for administering the drug. These third-party payors may pay separately for the drug on a per treatment or procedure basis or may seek to "bundle" or otherwise include the costs of the drug in a single payment to cover the care for the condition or population segment over a specified time period, there being a general move in favour of the latter as it is considered to provide better value for money for both healthcare providers and medical insurers who reimburse them as the availability of reimbursement is geared towards treatments that provide a better overall patient outcome rather than focusing on reimbursement each time a specific drug is administered or treatment provided. The Directors are unable to predict at this time whether its product candidates, if approved, will be eligible for such separate payments. To the extent there is no separate payment for its product candidates, there may be further uncertainty as to the adequacy of reimbursement amounts if its products are bundled as part of a treatment package for which there is a single reimbursement payment as this is likely to drive down the prices that the Group can charge for its products.

In addition, obtaining and maintaining adequate coverage and reimbursement status is time-consuming, costly and sometimes unpredictable because each third-party payor individually approves coverage and reimbursement levels. The Group may be required to provide scientific and clinical support, medical necessity or both for the use of any product to each third-party payor separately with no assurance that approval would be obtained and it may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness, medical necessity or both of its products, especially as there are cheaper hydrocortisone products already available in, or being brought into, the market. This process could delay the market acceptance of any product and could have a negative effect on the Group's future revenues and operating results.

Third-party payors may deny coverage and reimbursement status altogether of a given drug product, or cover the product, but may also establish prices at levels that are too low to enable the Group to realise an appropriate return on its investment in product development. Because the rules and regulations regarding coverage and reimbursement change frequently, in some cases on short notice, even when there is favourable coverage and reimbursement, future changes may occur that adversely impact such favourable coverage and reimbursement status. Further, the net reimbursement for drug products may be subject to additional reductions if there are changes to laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in European countries or the United States, for example.

The unavailability or inadequacy of third-party coverage and reimbursement could negatively affect the market acceptance of the Group's product candidates and the future revenues the Directors may expect to receive from those products. In addition, the Directors are unable to predict what additional legislation or regulation relating to the healthcare industry or third-party coverage and reimbursement may be enacted in the future, or what effect such legislation or regulation would have on the Group's business (see paragraph 2.7 below for risks relating to government and regulation and, in particular, the risk headed "*Future legislative or regulatory changes, or other changes in healthcare systems, may increase the difficulty and cost involved in the Group obtaining regulatory approval for, and commercialising, its product candidates and may affect the prices that the Group may set for them*".

The Group's products may not gain market acceptance, in which case the Group may not be able to generate product revenues

Even if the EMA, FDA or any other comparable regulatory agency approves the marketing of any product candidates that the Group develops, physicians, healthcare providers, patients or the medical community may not accept or use them. Efforts to educate the medical community and third-party payors on the benefits of the Group's product candidates may require significant resources and may not be successful. If Chronocort®, Infacort®, Rheumacort®, Native Oral Testosterone and Tri4Combi™, or any other product candidate that the Group develops, in each case if approved, do not achieve an adequate level of acceptance, the Group may not generate significant product revenues or any profits from operations. The degree of market acceptance of Chronocort®, Infacort®,

Rheumacort®, Native Oral Testosterone and Tri4Combi, or any of the Group's other product candidates from time to time that are approved for commercial sale, will depend on a variety of factors, including, but not limited to:

- whether clinicians and potential patients perceive the Group's product candidates to have a better efficacy, safety and tolerability profile, ease of use, compared with the products marketed by the Group's competitors and the prevailing standard of care;
- the timing of market introduction;
- the number of competing products;
- the Group's ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity of any side effects and a continued acceptable safety profile following approval;
- relative convenience and ease of administration;
- cost-effectiveness;
- patient diagnostics and screening infrastructure in each market;
- marketing and distribution support;
- the availability of healthcare coverage, reimbursement and adequate payment from health maintenance organisations and other third-party payors, both public and private; and
- competition from other therapies.

In addition, the potential market opportunity for Chronocort®, Infacort®, Rheumacort®, Native Oral Testosterone and Tri4Combi or any other product candidate that the Group may develop is difficult to estimate precisely, particularly given that the orphan drug markets which the Group is targeting are, by their nature, relatively small. The Group's estimates of the potential market opportunity for each of these product candidates are predicated on several key assumptions, such as industry knowledge and publications, third-party research reports and other surveys. Although the Directors believe that the Group's internal assumptions are reasonable, these assumptions may prove to be inaccurate. If any of the assumptions proves to be inaccurate, then the actual market for Chronocort®, Infacort®, Rheumacort®, Native Oral Testosterone and Tri4Combi, or the Group's other product candidates from time to time, could be smaller than the Group's estimates of the potential market opportunity. If that turns out to be the case, the Group's product revenue may be limited and it may be unable to achieve or maintain profitability.

2.4 ***Risks relating to the Group's growth strategy***

The Group may not be successful in executing its growth strategy or its growth strategy may not deliver the anticipated results

The Group's growth strategy is described at paragraph 6 of Part 1 of this document. As part of its growth strategy, the Group plans to source new product candidates that are complementary to its existing product candidates by in-licensing or acquiring them from other companies or academic institutions. If the Group is unable to identify, in-license or acquire and integrate product candidates in accordance with this strategy, its ability to pursue its growth strategy may be compromised.

An additional element of the Group's growth strategy is to research and identify its own new product candidates, which requires substantial technical, financial and human resources. The Group may focus its efforts and resources on potential programmes or product candidates that ultimately prove to be unsuccessful.

The Group's research programmes, business development efforts or licensing attempts may fail to yield additional complementary or successful product candidates for clinical development and commercialisation for a number of reasons, including, but not limited to, the following:

- its research or business development methodology or search criteria and process may be unsuccessful in identifying potential product candidates with a high probability of success for development progression;
- the Group may not be able or willing to assemble sufficient resources or expertise to in-license, acquire or discover additional product candidates;
- for product candidates the Group seeks to in-license or acquire, it may not be able to agree acceptable terms with the licensor or owner of those product candidates;
- the Group's product candidates may not succeed in pre-clinical studies or clinical trials;
- the Group may not succeed in formulation or process development;
- the Group's product candidates may be shown to have harmful side effects or may have other characteristics that may make them unmarketable or unlikely to receive regulatory approval;
- competitors may develop and/or protect alternatives that render the Group's product candidates obsolete or less attractive;
- product candidates that the Group develops may be covered by third parties' patents or other exclusive rights and the Group may be unable to overcome any potential threats to its intellectual property rights and changes to the competitive landscape (including being unable to compete effectively with other therapies);
- product candidates that the Group develops may not allow it to leverage its expertise and its development and commercial infrastructure as currently expected;
- the market for a product candidate may change during the Group's programme so that such a product candidate may become uneconomical to continue to develop;
- the Group, in conjunction with its commercial manufacturing partner(s), may not be able to manufacture its product candidates in commercial quantities at an acceptable cost post-market approval; and
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors and healthcare coverage and adequate reimbursement may not be able to be obtained and/or maintained.

If any of these events occurs, the Group may not be successful in executing its growth strategy or its growth strategy may not deliver the anticipated results, which could have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares.

If the Group acquires other businesses or in-licenses or acquires other product candidates and is unable to integrate them successfully, its financial performance could suffer

The Group may, as part of its growth strategy (as referred to above and in paragraph 6 of Part 1 of this document) acquire other businesses or acquire or in-license other product candidates should appropriate opportunities arise. Given its current size and stage of development, the Group has had limited experience integrating other businesses or product candidates or in-licensing or acquiring other product candidates. The integration process following future transactions may produce unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be directed to the ongoing development of the Group's business. Also, in any future in-licensing or acquisitions, the Company may issue shares that would result in dilution to existing Shareholders, incur debt, assume contingent liabilities or create additional expenses related

to amortising intangible assets, any of which might have an adverse impact on the Group's financial results and cause its share price to decline. In addition, any financing the Group might need for future transactions may be available to it only on terms that restrict its business or impose costs that reduce its net income.

The Group is dependent on its key executives and personnel as well as its ability to recruit, retain and incentivise skilled and experienced personnel

The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team, including the Directors. The Group has entered into contractual arrangements with these individuals (including non-compete and non-solicitation restrictive covenants and confidentiality restrictions) to secure the services of each of them. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares. In addition, whilst the Directors consider that the Group's contractual arrangements with its Directors and senior management team are robust with sufficient provisions to protect the Group's intellectual property, inventions, trade secrets and other confidential information, there can be no guarantee that such provisions may not be breached in the future. Whilst there may be remedies available to the Group in respect of such breach, such as damages or, potentially, injunctive relief, there may be costs to the Group in pursuing such remedies and the availability of any remedy may nevertheless not compensate the Group fully for any damage suffered.

Richard Ross, the Group's Chief Scientific Officer, is seconded to the Group by the University pursuant to the University Secondment Agreement on terms that he spends no more than five per cent. of his time working on the Group's activities. The University Secondment Agreement is also terminable at the option of the University on three months' notice. However, the Group has also entered into the University Research Agreement pursuant to which the University has undertaken to supervise a programme of research and development activities for the Group (and as directed by the Group) to be performed by Richard Ross for a period of one year from 1 December 2015. This agreement is only terminable prior to the expiry of that term in the event of a material breach of its terms by the Group or Diurnal Limited becoming insolvent, both matters which are largely within the Group's control. Assuming that there remains a willingness at the relevant time on both sides for Richard Ross to continue to provide such services to the Group, the Directors intend that a new agreement will be entered into in late 2016 in order to secure Richard Ross' ongoing services for the Group. The Group has also entered into the Restrictive Covenant Agreement with Richard Ross pursuant to which he has provided non-compete and non-solicitation restrictive covenants and confidentiality restrictions in favour of the Group. Whilst the Directors are therefore satisfied that the arrangements pursuant to which Richard Ross' services are made available to the Group are appropriate for the Group's present requirements, there nevertheless remains a risk that such arrangements may not adequately protect the Group's interests. Given the importance of Richard Ross to the Group, any termination of the University Research Agreement, or any failure to renew it on expiry where the Group considers it necessary to do so, either on at least as favourable terms or at all, or any potential non-enforceability of the restrictive covenants and confidentiality restrictions contained in the Restrictive Covenant Agreement could have a material adverse effect on the Group, its business, results of operations and financial performance. Further information in relation to the University Secondment Agreement and the University Research Agreement is set out in paragraphs 12.9 and 12.10, respectively, of Part 7 of this document.

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. There is strong competition in the biotechnology and pharmaceutical sector and finding and hiring any additional personnel and replacements, particularly amongst the limited pool of talent with the knowledge and expertise that the Group requires in endocrinology, could be costly and might require the Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results, and there can be no assurance that the Group will have

sufficient financial resources. Effective product development and innovation, upon which the Group's success is dependent, is, in turn, reliant upon attracting and retaining talented technical, scientific and marketing personnel, who represent a significant asset and serve as the source of the Group's technological and product innovations.

Risks associated with organisational expansion

As the Group matures in line with its growth strategy and expands its organisation, it expects to expand its full-time employee base and to hire more consultants and contractors. The Group's management may need to divert a disproportionate amount of its attention away from its day-to-day activities and devote a substantial amount of time to managing these growth activities, including recruitment and hiring. The Group may not be able to manage the expansion of its operations and infrastructure effectively, which may result in weaknesses in its infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees, as well as potential failure to comply with applicable legislation or regulatory requirements to which the Group is subject. The Group's expected growth could require significant capital expenditures or result in significant delays, thereby impacting other projects, such as the development of additional product candidates. If the Group's management is unable to manage the Group's growth effectively, its expenses may increase more than expected, its ability to generate and/or grow revenues could be reduced and it may not be able to implement its business strategy in a timely fashion or at all. The Group's future financial performance and its ability to commercialise product candidates and compete effectively will depend, in part, on its ability to manage its future growth successfully.

2.5 ***Risks relating to the Group's reliance on third parties***

The Group relies on third parties to conduct non-clinical and clinical trials, for the manufacture of its product candidates for clinical trials, as well as for the provision of other services, and if such third parties perform in an unsatisfactory manner, there may be an adverse effect on the Group's business

The Group has relied upon, and plans to continue to rely upon, third-party CROs to conduct and monitor and manage data for its ongoing non-clinical and clinical programmes. Notwithstanding the contractual relationships that the Group has in place with such third-party CROs, it has, and will continue to have, only limited control over their actual performance of these activities. Nevertheless, the Group is responsible for ensuring that each of its trials is conducted in accordance with the applicable protocol, legal, regulatory, environmental and scientific standards and the Group's reliance on CROs does not relieve it of its regulatory responsibilities.

The Group, its CROs and other vendors are required to comply with current Good Manufacturing Practices ("**cGMP**"), current Good Clinical Practices ("**cGCP**") and Good Laboratory Practice ("**GLP**"), which are regulations and guidelines enforced by the EMA, the FDA and any other comparable regulatory agency for all of the Group's product candidates in non-clinical and clinical development. Regulatory authorities enforce these regulations through periodic inspections of study sponsors, principal investigators, trial sites and other contractors. Whilst the Group has not experienced any failures in this respect in the past, if the Group, or any of its CROs or vendors, fails to comply with applicable regulations, the data generated in the Group's non-clinical and clinical trials may be deemed unreliable and the EMA, FDA or any other comparable regulatory agency may require the Group to perform additional non-clinical and clinical trials before approving its marketing applications. There can be no assurance that, upon inspection by a given regulatory authority, such regulatory authority will determine that all of the Group's clinical trials comply with cGCP regulations. In addition, the Group's clinical trials must be conducted with products produced under cGMP regulations. The Group's failure to comply with these regulations may require it to repeat clinical trials, which would delay the regulatory approval process.

The Group's business involves, or may involve, the controlled use of hazardous materials, chemicals and biological compounds. Substantially all such use is outsourced to third-party CRO manufacturers and clinical sites. Although the Directors believe that the Group's third-party CROs' safety procedures

for handling and disposing of such materials comply with industry standards, there will always be a risk of accidental contamination or injury.

The Group's CROs are not employees and, except for remedies available to the Group under its contractual arrangements with such CROs, the Group cannot control whether or not they devote sufficient time and resources to the Group's ongoing non-clinical and clinical programmes. If the Group's CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to the Group's protocols, regulatory requirements or for other reasons, the Group's clinical trials may be extended, delayed or terminated, and the Group may not be able to obtain regulatory approval for, or successfully commercialise, its product candidates. The Group's CROs may also generate higher costs than anticipated. As a result, the Group's results of operations and the commercial prospects for its product candidates would be harmed, its costs could increase and its ability to generate revenues could be delayed.

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

The Group currently sources products for use in its clinical trials from a single contract manufacturer, Glatt, further information in respect of which is set out in paragraph 11.2 of Part 7 of this document. The Directors believe that it is common to have a single manufacturer at this stage of the Group's development, where it is currently in the process of conducting clinical trials and is not yet at the stage of having received regulatory approval to market any of its product candidates, and it is their intention to seek an additional manufacturing source once market authorisation for the first of its product candidates has been obtained. The Directors also expect to enter into similar arrangements for the Group's other product candidates with other third parties as and when appropriate. Nevertheless, at least for the immediate future, the Group's reliance on Glatt as its sole manufacturing supplier, exposes it to a degree of risk. Whilst the Group's contract with Glatt is terminable on a period of advance notice which the Directors consider should provide sufficient time to source an alternative manufacturing partner to ensure continued supply without disruption, there is the risk that the Group may not be able to enter into an arrangement with an alternative contract manufacturer within the notice period, or at all, or do so on terms which are at least as favourable as those that it currently enjoys with Glatt. Any failure to do so could result in the Group suffering delays in production of products for testing and a consequent adverse effect on the Group's ability to meet its desired clinical development timelines. Any failure by Glatt to manufacture products of a satisfactory quality for use in the clinical trials, or any other default in respect of its contractual obligations, could also produce similar results. Furthermore, subject to the terms of its arrangements with Glatt (as more particularly described at paragraph 11.2 of Part 7 of this document), whilst the Directors may in the future seek to expand the Group's manufacturing capabilities through the entry into contracts with other third party manufacturers at the appropriate time, there can be no assurance that the Group, should it seek to do so, will be able to agree satisfactory terms with any such third parties expeditiously or at all and any failure to do so could have an adverse effect on the Group's business, results of operations and financial performance.

Given its current size and stage of development, the Group also outsources its finance function to a third party. Whilst the Directors are satisfied that they have adequate controls and procedures in place to monitor financial data collection and reporting and that it is intended to bring this function "in-house" at an appropriate time in the future when the Group's business and activities merit it, there remains a risk that if the third party to whom this function outsourced defaults, or is negligent, in its service provision in any material way, that, in turn, could have a material adverse effect on the Group's

financial performance, results of operations and business affairs and its ability to comply with its financial reporting obligations.

The Group and its third party contract manufacturers are subject to significant regulation with respect to manufacturing the Group's product candidates. The manufacturing facilities on which the Group relies may not continue to meet regulatory requirements or may not be able to meet supply demands

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

The regulatory authorities may also, at any time following approval of a product for sale, audit the manufacturing facilities of the Group's third-party contractors. If any such inspection or audit identifies a failure to comply with applicable regulations or if a violation of the Group's product specifications or applicable regulations occurs independent of such an inspection or audit, the Group or the relevant regulatory authority may require remedial measures that may be costly and/or time consuming for the Group or a third party to implement, and that may include the temporary or permanent suspension of a clinical trial or commercial sales or the temporary or permanent closure of a facility.

If the Group or any of its third-party manufacturers fail to maintain regulatory compliance, the EMA, FDA or another applicable regulatory authority could impose regulatory sanctions including, among other things, refusal to approve a pending application for the Group's product candidates, withdrawal of an approval or suspension of production.

Additionally, if the supply from one approved manufacturer is interrupted, an alternative manufacturer would need to be qualified through a NDA supplement or equivalent foreign regulatory filing, which could result in further delay. The regulatory agencies may also require additional studies if a new manufacturer is relied upon for commercial production. Switching manufacturers may involve substantial costs and is likely to result in a delay in the Group's desired clinical and commercial timelines.

These factors could cause the Group to incur higher costs and could cause the delay or termination of clinical trials, regulatory submissions, required approvals or commercialisation of the Group's product candidates. Furthermore, if the Group's suppliers fail to meet contractual requirements and the Group is unable to secure one or more replacement suppliers capable of production at a

substantially equivalent cost, the Group's clinical trials may be delayed and potential revenue could be lost.

The Group's reliance on third parties requires it to share proprietary information, intellectual property and trade secrets, which increases the possibility that a competitor could discover them or that the Group's proprietary information, intellectual property and trade secrets could be misappropriated or disclosed

Because the Group relies on third parties to develop and manufacture its product candidates, it must, at times, share proprietary information, intellectual property and trade secrets with them. The Group seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its third party partners, advisors, employees, sub-contractors and consultants prior to beginning research or disclosing proprietary information. These agreements frequently, but not always, limit the rights of the third parties to use or disclose the Group's confidential information, such as trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such proprietary information, intellectual property and/or trade secrets become known by the Group's competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that the Group's proprietary position is based, in part, on its know-how and trade secrets, a competitor's discovery of the Group's trade secrets or other unauthorised use or disclosure would impair the Group's competitive position and may have a material adverse effect on its business.

The Group's counterparties may become insolvent

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

2.6 ***Risks relating to the Group's intellectual property***

If the Group is unable to obtain and maintain effective patent rights for its technologies, product candidates or any future product candidates or if the scope of the patent rights obtained is not sufficiently broad, the Group may not be able to compete effectively in its chosen markets

In addition to the exclusivity that may be obtained for some of the Group's product candidates with regulatory orphan drug status or, where applicable, a PUMA, subject to the Group obtaining regulatory approval in respect of its relevant product candidates in advance of third parties doing so in respect of similar product candidates with regulatory orphan drug designation (see paragraph 2.7 below), the Group relies upon a combination of patents (a number of which are in application stage), trade secrets and confidentiality agreements to protect the intellectual property related to its technologies and product candidates. The Group's success depends in large part on its ability to obtain and maintain patent and other intellectual property protection in the United Kingdom (where it currently has two granted patents), Europe, the United States and in other countries with respect to its proprietary technology and product candidates.

The Group has sought to protect its proprietary position by filing patent applications in Europe, the United States and elsewhere related to those technologies and product candidates that are important to its business. Whilst the Group has secured the grant of some patents (for example, in the UK), a number of patents remain pending. The application process is expensive and time-consuming and the Group may not be able to file and prosecute to grant all necessary or desirable patent applications at a reasonable cost, in a timely manner or in all jurisdictions. In particular, various objections to patentability (for example, with respect to novelty, inventive step and prior art) of applications for the grant of a patent have been raised by various patent offices that are referenced in Part 4 of this document. Although the Directors believe that these objections can ultimately be dealt with, resulting

in granted patent claims that cover its key product candidates, there is no guarantee that patents will be granted that protect all of the Group's product candidates and technologies. Different patent offices take different approaches to patent grant and the award of a UK patent does not necessarily indicate that patents will be granted in other jurisdictions.

It is also possible that the Group will fail to identify and protect patentable aspects of its research and development output before it is too late to obtain patent protection and that patentable aspects may be disclosed publicly prior to a patent being applied for thus resulting in a patent not then being obtained. Moreover, in some circumstances, the Group does not have, or may not have, the right to control the preparation, filing and prosecution to grant of patent applications, or, where applicable, to maintain the patents and covering technology that it may license from third parties. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of the Group's business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain and expensive and involves complex legal and factual questions for which legal principles remain unresolved. The patent applications that the Group owns or, from time to time, in-licenses may fail to result in issued patents with claims that cover the Group's product candidates in Europe, the United States or in other jurisdictions. Publications of discoveries in scientific literature often lag behind actual discoveries and patent applications in Europe, the United States and other jurisdictions remain confidential for a period of time after filing and some remain so until issued. Therefore, the Group cannot be certain that it was the first to file any patent application related to its product candidates, or whether it was the first to make the inventions claimed in its owned patents or pending patent applications, nor can it know whether those from whom it may license patents from time to time were the first to conceive the inventions claimed or were the first to file. As a result, the issuance, scope, validity, enforceability and commercial value of the Group's patent rights are uncertain. There can be no assurance that all potentially relevant prior art relating to the Group's patents and patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover the Group's product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, found unenforceable or invalidated, which could allow third parties to commercialise the Group's technology or products and compete directly with the Group, without payment to the Group, or result in the Group's inability to manufacture or commercialise products without infringing third-party patent rights. Furthermore, even if they are unchallenged, the Group's patents and patent applications may not adequately protect its intellectual property, provide exclusivity for its product candidates, prevent others from designing around the Group's claims or provide the Group with a competitive advantage. Any of these outcomes could impair the Group's ability to prevent competition from third parties.

There can be no assurance about whether any granted patents will be found valid or enforceable if challenged by third parties. Any successful opposition to these patents (for example, by a competitor) or any other patents owned by, or licensed to, the Group after patent issuance could deprive the Group of rights necessary for the successful commercialisation of any product candidates that it may develop. Further, if the Group encounters delays in regulatory approvals, the period of time during which it could market a product candidate under patent protection could be reduced.

Patents have a limited lifespan. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialised. As a result, the Group's owned and licensed patent portfolio may not provide it with sufficient rights to exclude others from commercialising products similar or identical to the Group's or otherwise provide it with a competitive advantage. Even if patents covering the Group's product candidates are obtained, once the patent life has expired for a product, the Group may be open to competition from generic medications. The six month extension to patent life afforded by the Group's PIP for Infacort® will not be available where the Group cannot demonstrate compliance with the PIP.

While patent term extensions in the United States and under supplementary protection certificates in the European Union may be available to extend the patent exclusivity term for the Group's product candidates, there can be no assurance that any such patent term extension will, or could, be obtained and, if so, for how long.

The Group's failure or inability to protect its trademark portfolio may have an adverse effect on its business, financial performance and results of operations

The Group's success depends, in part, on obtaining, maintaining and enforcing its intellectual property rights, and its ability to avoid infringing the intellectual property rights of others.

No assurance can be given that the Group will be able to maintain its existing trademarks or to obtain further trademarks in all jurisdictions in which it wishes to do business. There can be no assurance that, once granted, trademarks are guaranteed to be valid. To the extent the trademarks owned by, or licensed to, the Group may be infringed, litigation may be necessary to protect the Group's interest in them and claims may be made by third parties that the trademarks owned or used by the Group infringe that third party's trademarks. Adverse findings in any such litigation or other disputes, as well as the fees, costs, expenses and time involved in prosecuting and/or defending them could all have a material adverse effect on the Group's business, financial performance and results of operations.

In addition, the trademarks that the Group applies to its product candidates need to be approved by relevant regulatory authorities prior to first sale. There is a risk, therefore, that the Group will not be able to proceed with the trademarks it has registered in key jurisdictions (e.g. Infacort®, Chronocort® and Rheumacort®) and will need to choose and register alternative trademarks. There can be no guarantee that the Group will be able to register these alternative trademarks meaning that it may be more difficult to enforce its rights in these trademarks against third parties using the same or similar names.

Third party claims of intellectual property infringement may expose the Group to substantial liability or prevent or delay its development and commercialisation efforts

The Group's commercial success depends, in part, on its ability to develop, manufacture, market and sell its product candidates, if approved, and to use its proprietary technology without alleged or actual infringement, misappropriation or other violation of the patents and other proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions and re-examination proceedings. The Group has been involved in no litigation or other disputes with third parties concerning intellectual property, however, numerous patents and pending patent applications which are owned by third parties do exist in the fields in which the Group is developing product candidates and so there is the potential for disputes to occur in the future. Some claimants may have substantially greater resources than the Group does and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than the Group could. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that the Group's product candidates may be subject to claims of infringement of the intellectual property rights of third parties.

Third parties may assert that the Group is employing their proprietary technology without authorisation or that the Group's employees and sub-contractors may have wrongfully or illegally used or disclosed confidential, proprietary information belonging to third parties, or done so in breach of obligations of confidentiality, non-disclosure or non-competition to which they may be subject. There may be third party patents or patent applications with claims to compositions, formulations, methods of manufacture or methods of treatment related to the use or manufacture of the Group's product candidates. The Group has carried out freedom to operate searches in respect of its exploitation of its key product candidates in Europe and the USA, and the related risk of infringement of third party patent rights was concluded as being low (see Part 4 of this document) however there can be no guarantee that the Group is aware of each and every patent and pending application in Europe, the United States or in other jurisdictions that may be relevant or necessary to the

commercialisation of the Group's product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in granted patents upon which the Group's product candidates may infringe. In addition, third parties may obtain patents in the future and claim that use of the Group's technologies infringes upon these patents. If any third party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of the Group's product candidates, any compositions formed during the manufacturing process or any final product itself, the holders of any such patents may be able to prevent the Group from commercialising such product candidate unless it obtained a licence under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third party patents were held by a court of competent jurisdiction to cover aspects of the Group's compositions, formulations or methods of treatment, prevention or use, the holders of any such patents may be able to prevent the Group from developing and commercialising the applicable product candidate unless and until it obtained a licence or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a licence may not be available on commercially reasonable terms, or at all. Even if the Group was able to obtain a licence, it could be non-exclusive, thereby giving the Group's competitors access to the same technologies licensed to the Group.

Parties making claims against the Group, or its employees, sub-contractors or consultants, may obtain injunctive or other equitable relief, which could effectively prevent the Group from further developing and commercialising one or more of its product candidates, if approved. Defending these claims, regardless of their merit, would involve substantial litigation expense and would also be a substantial diversion of employee resources from the Group's business. In the event of a successful claim of infringement against the Group (including in respect of breaches or defaults by its employees for which it may be vicariously liable), it may have to pay substantial damages and legal fees for wilful infringement, pay royalties, redesign its infringing product candidates or obtain one or more licences from third parties, which may be impossible or require substantial time and expenditure.

The Group's access to certain intellectual property used by it may be dependent on it meeting certain contractual conditions owed to third parties, for example, Glatt (as described at paragraph 11.2 of Part 7 of this document). Whilst the Directors believe that it is unlikely that it would not be able to meet a condition under a contract in a manner that would restrict its use of any material intellectual property, there can be no assurance that it will be able to meet all such conditions and that its use of such intellectual property would not be restricted as a result.

The Group may be involved in litigation to protect or enforce its patents, which could be expensive, time-consuming and unsuccessful

Competitors may infringe upon the Group's patents or other intellectual property. The Group is not currently involved (and has not in the past been involved) in any litigation concerning its intellectual property, however, if it was to initiate legal proceedings against a third party to enforce a patent covering one of its product candidates, the defendant could counterclaim that the patent covering the Group's product candidate is invalid and/or unenforceable, or request declaratory judgment that there is no infringement. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Interference or derivation proceedings provoked by third parties or brought by the Group may be necessary to determine the priority of inventions with respect to the Group's patents or patent applications. An unfavourable outcome could require the Group to cease using the related technology or to attempt to license rights to it from the prevailing party. There could be an adverse impact on the Group and its business if the prevailing party does not offer it a licence on commercially reasonable terms, or at all. The Group's defence of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract management and other employees. In addition, the uncertainties associated with litigation could compromise the Group's ability to raise the funds necessary to continue its clinical trials, continue its research programmes, license necessary

technology from third parties or enter into development partnerships that would help the Group to bring its product candidates to market, if approved.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Group's confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the market price of the Ordinary Shares.

The Group may not be able to protect its intellectual property rights throughout the world

Filing, prosecuting and defending patents and other intellectual property rights on product candidates in all countries throughout the world would be prohibitively expensive and the Group's intellectual property rights in certain countries outside Europe and the United States could be less extensive than those in Europe and the United States. In addition, the laws of certain jurisdictions do not protect intellectual property rights to the same extent as the laws of certain member states of the European Union or federal and state laws in the United States. As a consequence, the Group may have difficulty preventing third parties from practising its inventions in all countries where it intends to sell its product candidates (subject to regulatory approval), or from selling or importing products made using the Group's inventions in and into the European Union, the United States or other jurisdictions. Even if the Group does obtain sufficient patent protection in a jurisdiction, competitors may use the Group's technologies in jurisdictions where the Group has not obtained patent protection to develop its own products and may also export infringing products to territories where the Group has patent protection, but enforcement is not as strong as that elsewhere. These products may compete with the Group's products and the Group's patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology and pharmaceutical products, which could make it difficult for the Group to prevent the infringement of its patents or marketing of competing products in violation of its proprietary rights generally. Proceedings to enforce the Group's patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert the Group's efforts and attention from other aspects of its business, could put the Group's patents at risk of being invalidated or interpreted narrowly and its patent applications at risk of not issuing, and could provoke third parties to assert claims against the Group. Moreover, the Group may not prevail in any lawsuits that it initiates and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, the Group's efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that it develops or licenses.

2.7 ***Risks relating to government and regulation***

Once one or more of the Group's product candidates obtains regulatory approval, the Group will be subject to ongoing obligations and continued regulatory requirements, which may result in significant additional expense

If regulatory approval is obtained for any of the Group's product candidates, the product will remain subject to continual regulatory review. Any regulatory approvals that the Group receives for its product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product candidate. In addition, if the EMA, FDA or any other comparable regulatory authority approves any of the Group's product candidates, the Group will be subject to ongoing regulatory obligations and oversight by regulatory authorities, including with respect to the manufacturing processes, labelling, packaging,

distribution, adverse event reporting, storage, advertising and marketing restrictions, and record-keeping and, potentially, other post-marketing obligations, all of which may result in significant expense and limit the Group's ability to commercialise such products. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and cGCPs for any clinical trials that the Group conducts post-regulatory approval.

In addition, approved products, manufacturers and manufacturers' facilities are subject to continual review and periodic inspections. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with the Group's third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product;
- withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by regulatory authorities to approve pending applications or supplements to approved applications that the Group has filed;
- suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the importing or exporting of products; and
- injunctions or the imposition of civil or criminal penalties.

If any of these events occurs, the Group's ability to sell such products may be impaired, and it may incur substantial additional expense to comply with regulatory requirements. The policies of the EMA, FDA or any other comparable regulatory agency may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of the Group's product candidates. If the Group is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if it is not able to maintain regulatory compliance, the Group may lose any regulatory approval that it may have obtained, which would compromise its ability to achieve or sustain profitability.

Orphan drug designation may not lead to orphan drug exclusivity in the relevant markets and, if the Group fails to obtain or maintain orphan drug status or, where relevant, a PUMA for its product candidates, it may be subject to earlier competition and its potential revenues may be adversely affected

In the European Union, orphan drug designation under Regulation (EC) No. 141/2000 by the EMA's Committee for Orphan Medicinal Products provides regulatory and financial incentives for companies to develop, promote and market products that are intended for the diagnosis, prevention, or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Union and for which no satisfactory treatment is available. Additionally, designation is granted for products intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the European Union would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention or treatment, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition. In Europe, the first product candidate to obtain approval for a given indication would benefit from a 10-year period of market exclusivity from the date of approval. Orphan drug designation provides incentives for companies seeking protocol assistance from the EMA during the product development phase and access to the centralised marketing authorisation procedure. The 10-year exclusivity period referred to above may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity.

In the United States, under the Orphan Drug Act of 1983, the FDA may designate a product as an orphan drug if it is intended to treat an orphan disease or condition, defined as a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States, where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States.

In the United States, orphan drug designation entitles a party to financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product receives the first FDA approval for the indication for which it has orphan drug designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer is unable to assure sufficient product quantity.

Chronocort® has acquired orphan drug designation in both Europe (2004) and the US (2015) for CAH and in both Europe (2007) and the US (2015) for AI, which is expected to provide market exclusivity for 10 years in Europe and seven years in the US with effect from successful completion of clinical trials and the grant of marketing authorisations. The availability of market exclusivity is also subject to the factors outlined in the following paragraphs. Infacort® was granted orphan drug designation for paediatric AI in the US (2015), which, again, subject to the following paragraphs, is expected to provide commercial exclusivity effective from its market authorisation.

In Europe, after discussion with the EMA, it was considered that the Group should pursue a PUMA for Infacort® rather than an orphan drug designation and the Group has therefore elected to endeavour to secure exclusivity for Infacort® through this procedure. A PUMA provides similar protection to an orphan drug designation (following receipt of market authorisation for the relevant product candidate with the designation) but is intended exclusively for paediatric medicines (see paragraphs 7.2 and 9 of Part 1 of this document for further information in respect of market and data exclusivity). Data exclusivity prevents this data from being used by another company in the regulatory filings for the same drug substance.

However, whilst the Group has obtained orphan drug designation for certain of its product candidates (and may do so for others in the future), there are limits on the extent of protection provided. For example, in Europe, a similar product will fall outside the scope of orphan drug exclusivity and be able to be marketed if it does not have the same principal molecular structural features or does not act by the same mechanism or is not for the same indication as the Group's product. Additionally, orphan drug exclusivity will not apply if there is a second medicinal product that is safer, more effective or otherwise clinically superior.

Furthermore, it is important to note that there can be multiple orphan drug designations for each indication and more than one entity can receive orphan drug designation for the same product candidate for the same use. However, the exclusivity period is granted to the first entity (with orphan drug designation for the relevant product candidate) who has obtained marketing approval. As such, only the first product candidate to be approved for a given indication will enjoy the exclusivity benefits of orphan drug approval. It is therefore possible that the Group may never obtain market exclusivity even if it ultimately obtains marketing approval for its product candidates.

Moreover, orphan drug designation neither shortens the development time nor the regulatory review time of a drug nor does it give the drug any advantage in the regulatory review or approval process.

Similarly, an application for a PUMA must contain the results of studies performed, and information collected, in compliance with an agreed PIP. Therefore, if the relevant studies are not conducted in accordance with the agreed PIP, a PUMA is unlikely to be obtained. Only the first product candidate awarded a PUMA for a particular paediatric indication benefits from the periods of market and data exclusivity that a PUMA affords.

Future legislative or regulatory changes, or other changes in healthcare systems, may increase the difficulty and cost involved in the Group obtaining regulatory approval for, and commercialising, its product candidates and may affect the prices that the Group may set for them

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

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

2.8 ***Other operational risks***

The Group may be exposed to unfavourable macro-economic conditions from time to time

The Group's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to the Group's business, including weakened demand for the Group's product candidates, if approved, and the Group's ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining global economy could also increase strain on the Group's third party suppliers and partners, possibly resulting in supply disruption, or disrupt the work of third party CROs. Any of the foregoing could harm the Group's business and the Directors cannot anticipate all of the ways in which the current economic climate and financial market conditions could materially and adversely impact the Group's business.

The Group may require additional financing in the longer term and there is no guarantee that it will be able to obtain such funding on commercially acceptable terms or at all

Whilst the Directors currently anticipate allocating the proceeds of the Placing towards bringing the Group's principal product candidates, Infacort® and Chronocort®, to the market authorisation and commercialisation stage, continuing to develop its early-stage pipeline product candidates into the clinic and building its commercialisation infrastructure, as well as towards the other purposes specified in paragraph 10 of Part 1 of this document, once those activities have been completed, the Group will nevertheless have further funding requirements in the longer term in connection with financing further research and development, expansion activity and business development of new or additional product candidates. The Group may seek to meet these funding requirements through either further equity issuances or via third party providers of debt finance.

The availability of third party funding may be influenced by the market's appetite for investment in early-stage companies which may be insufficient in relation to the Group's funding demands from time to time. As a result, it may take longer than anticipated to develop the business or it may not be able to develop the business at all. If the Group fails to obtain sufficient capital on acceptable terms,

it may be forced to curtail or abandon its planned expansion activity and to forego further investment in developing its current business. Any such occurrence may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, additional equity financing through shares issued by the Company could dilute the number of shares in issue and therefore the value of the Ordinary Shares for Shareholders (see the paragraph headed "*Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares*" under paragraph 3 below). In addition, any future debt financing could restrict the Group's ability to make capital expenditures or incur additional indebtedness, all of which could potentially impede returns.

Information technology systems and infrastructure face certain risks, including cybersecurity and data storage risks

In the ordinary course of business, the Group collects, stores and transmits confidential information, and it is critical that it does so in a secure manner in order to maintain the integrity of such confidential information. The Group's information technology systems are potentially vulnerable to security breaches from inadvertent actions by the Group's employees, sub-contractors, consultants and partners or from attacks by malicious third parties. Maintaining the secrecy of the Group's trade secrets is important to its competitive business position.

Whilst the Directors consider that the Group has taken appropriate steps to protect such information, there can be no assurance that its efforts will prevent service interruptions or security breaches in its systems or the unauthorised or inadvertent wrongful access or disclosure of confidential information that could adversely affect the Group's business operations or result in the loss, dissemination, or misuse of critical or sensitive information. A breach of its security measures or the accidental loss, inadvertent disclosure, unapproved dissemination or misappropriation or misuse of trade secrets, proprietary information or other confidential information, whether as a result of theft, hacking, or other forms of deception, or for any other cause, could enable others to produce competing products, use the Group's proprietary technology and/or adversely affect its business position. Further, any such interruption, security breach, loss or disclosure of confidential information could result in financial, legal, business, and reputational harm to the Group and could have a material effect on its business, financial position and/or results of operations.

Computing resources may reside outside of the Group's direct physical control and contain confidential information

For practical reasons, the Group may elect to house some or all of its own computer installations in dedicated third party hosting facilities or employ preconfigured computer hardware from third-party providers. These computing resources by their nature will contain electronic records containing confidential information including trade secrets associated with the Group's product candidates, designs of potential product candidates and other operational information. Any failure in the security systems employed to protect such information or any other exposure of the electronic information contained in the Group's computing resources could enable others to produce competing products, use the Group's proprietary technology and/or adversely affect its business position.

The Group is exposed to the effects of material business disruption or other detrimental events

Natural disasters, terrorist attacks, power outages or other detrimental events, whether man-made or natural in origin, that prevent the Group from using all or a significant part of its offices or computer systems or that damage other critical infrastructure, such as the manufacturing facilities of third party suppliers or manufacturers, or partners, or that otherwise disrupt operations, may make it difficult and, in some cases, impossible for the Group to continue to operate its business for a substantial period of time which could materially and adversely affect the Group's business, results of operations and financial performance. Whilst the Group has in place disaster recovery plans and procedures which the Directors consider to be appropriate, there can be no assurance that these will be adequate to ensure that any disruption is minimised.

Foreign exchange rate fluctuations may adversely affect the Group's results of operations and financial condition

The Group records its transactions and prepares its financial statements in pounds sterling, but a substantial proportion of the Group's income and expenditure, both currently and, more importantly, once market authorisations for its product candidates are received, is, and is expected to be, received and paid in Euros and US dollars. To the extent that the Group's foreign currency assets and liabilities are not matched, therefore, fluctuations in exchange rates between pounds sterling, the US dollar and the Euro may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Group's results of operations and may adversely affect the Group's financial condition. In addition, if the currencies in which the Group earns its revenues and/or holds its cash balances weaken against the currencies in which it incurs its expenses, this could adversely affect the Group's profitability and liquidity. Where a substantial net foreign currency liability exists, the Group may consider hedging against it to minimise foreign currency expense. However, the Company currently does not undertake hedging and, were it do so, such hedging would be based on estimates of liabilities and future revenues and would not fully eliminate future foreign currency exchange fluctuations.

Risks associated with fraud, bribery and corruption

The Group has implemented processes and procedures designed to prevent the occurrence of fraud, bribery and corruption, but it may not be possible for it to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents, sub-contractors or partners may be located, particularly as it enters the commercialisation phase for its product candidates and commences the development of its commercialisation infrastructure and has greater interaction, either directly through its own sales team, or through third party representatives engaged by it, with potential customers, including hospitals, physicians and other healthcare providers, key opinion leaders and third party payors as it seeks to gain acceptance and to obtain satisfactory reimbursement terms for its approved product candidates in the market. As a consequence, the Group may open to the risk of fraud, bribery and corruption occurring, notwithstanding the procedures and training it has implemented, and will continue to implement, as it develops to educate its employees, sub-contractors and third parties with respect to anti-bribery, fraud and corruption. In the event that any instance of fraud, bribery or corruption does occur, the Group may be subject to civil and criminal penalties and to reputational damage. Participation in corrupt practices, including the bribery of foreign public officials, by the Group, whether directly or indirectly (through agents or other representatives or otherwise) may also have serious adverse consequences on the rights and interests of the Group.

2.9 ***Tax risks***

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

The nature and amount of tax which the Group expects to pay and the reliefs, such as the UK R&D corporation tax relief scheme from which the Group currently benefits (see below), expected to be available to the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

UK tax legislation enables companies that incur expenditure (both capital and revenue) on qualifying R&D activities to claim tax reliefs introduced to encourage scientific and technological development. Small and medium-sized enterprises ("SMEs"), including the Group, are able to claim corporation tax relief on 230 per cent. of qualifying expenditure. In addition, where a company is loss-making (as the

Group has been to date), and is unable to benefit from the enhanced deductions through a reduced tax liability, it can surrender tax losses arising from its R&D activities for a cash payment of up to 14.5 per cent. of the loss surrendered. The Group has historically claimed R&D tax relief on the basis that it is a SME and claims corporation tax relief on certain of its expenditure. One of the conditions for the availability of the relief is that the Company continues to be "autonomous", or independent, meaning that, save in certain circumstances, it may not have any Shareholder with a shareholding greater than 25 per cent. (either in terms of capital or voting rights). Whilst the Company is expected to have Shareholder(s) with such a shareholding following Admission, the Directors consider that the Company should nevertheless continue to satisfy the requirements for the availability of the relief as any such Shareholder(s) should be specified investment enterprises in respect of which the "independence" requirements referred to above are relaxed. However, there can be no assurance that this will, in fact, continue to be the case. Although the Directors do not envisage that there should be any reason why the Group should not continue to be able to claim the relief in the immediate future, any loss of the relief, or failure to comply with the conditions for its availability, could have a material adverse effect on the results of operations and financial performance of the Group.

In addition, the Group has to date incurred significant trading losses which are available for it to use to offset against trading profits of the same trade arising in future periods, subject to certain anti-avoidance provisions relating to changes of ownership and major changes in the nature or conduct of the Group's trade in the three year periods before and after any change in ownership. Whilst the Directors do not currently envisage that any such changes will occur, there is the risk that any tax losses brought forward may be lost in future periods should any such changes of ownership or trade occur in the future.

3. Risks relating to the Placing and the Ordinary Shares

Investment risk on AIM

The Ordinary Shares will be traded on AIM and no application is being made for the admission of the Ordinary Shares to the Official List. AIM has been in existence since June 1995 but admission to AIM should not be taken to imply that there is, or will be, a liquid market in the Ordinary Shares. AIM is a market designed for small and growing companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

The share price of publicly-traded companies can be highly volatile, including for reasons related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation and general market conditions and regulatory changes

Prospective investors should be aware that, following Admission, the value of an investment in the Ordinary Shares may be subject to volatility and sudden decreases in value may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them and the Placing Price may not be indicative of prices that will prevail in the trading market.

The price of the Ordinary Shares may fall in response to market appraisal of the Group's strategy, if the Group's operating results and/or prospects are below the expectations of market analysts or Shareholders, or in response to regulatory changes affecting the Group's operations.

In addition, stock markets have, from time to time, and especially in recent years, experienced significant price and volume fluctuations which have affected the market price of securities. A number of factors, some of which are outside the control of the Group, may impact the price and performance of the Ordinary Shares, including:

- differences between the Group's expected and actual operating performance as well as between the expected and actual performance of the UK "life sciences" or "biotech" industry generally;
- prevailing economic circumstances;
- strategic actions by the Group or its competitors, such as mergers, acquisitions, divestitures, partnerships and restructurings;
- speculation, whether or not well-founded, about possible changes in the Group's management team;
- departure of key personnel;

- further issuances of Ordinary Shares;
- the publication of research reports by analysts or failure to meet analysts' forecasts; and
- regulatory changes.

Substantial sales of Ordinary Shares, or the perception that such sales might occur, could depress the market price of the Ordinary Shares. In particular, the Group is unable to predict whether, following the termination of the lock-in arrangements put in place in connection with the Placing, substantial amounts of Ordinary Shares will be sold in the open market by those previously subject to such restrictions

In accordance with the provisions of Rule 7 of the AIM Rules, the AIM Rule 7 Holders, representing in aggregate 36,977,485 Ordinary Shares and 70.82 per cent. of the Enlarged Share Capital, have entered, or will prior to Admission enter, into irrevocable undertakings that they will not (and will procure, insofar as they are able, that any of their associates will not) dispose of any interest in Ordinary Shares held by them or their associates for the Initial Period, save in certain circumstances. They have each also undertaken, or will undertake, that they will not (and will procure, insofar as they are able, that any of their associates will not) dispose of any interest in Ordinary Shares for a period of 12 months following the expiry of the Initial Period unless such disposal is effected through the Company's broker (from time to time), to ensure an orderly market.

Other Existing Shareholders representing, in aggregate, 4,730,500 Ordinary Shares (which, together with the AIM Rule 7 Holders' aggregate holdings of 36,977,485 Ordinary Shares, represent, in aggregate, 79.88 per cent. of the Enlarged Share Capital), have entered, or will prior to Admission enter, into irrevocable undertakings that they will not dispose of any interest in Ordinary Shares held by them for a period of six months from Admission, save in certain circumstances. These Existing Shareholders are not, and will not be, subject to any orderly market restrictions following the expiry of the initial six month lock-in period.

The Group is unable to predict whether, following the termination of the lock-in restrictions put in place in connection with the Placing, a substantial amount of Ordinary Shares will be sold in the open market by those subject to such restrictions. Any sales of substantial amounts of Ordinary Shares in the public market by any of the Directors or the Existing Shareholders, or the perception that such sales might occur, could result in a decrease in the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell Ordinary Shares at a time and price that they deem appropriate, or at all, and could also impede the Company's ability to issue equity securities in the future.

A liquid market for the Ordinary Shares may fail to develop

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active trading market will develop or be sustained after Admission. The Placing is being made to institutional and professional investors only and the Company may not develop a wide shareholder base. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Placing Price.

There can be no assurance that dividends will be paid by the Company

As stated at paragraph 11 of Part 1 of this document, it is not the current intention of the Board to declare any dividends in the near term until it has begun to commercialise successfully its product candidate portfolio and to generate consistent revenues and profits. In addition, the Company's ability to pay dividends (including any special dividends) in the future will be affected by a number of factors, principally the generation of distributable profits within its Group and the receipt of sufficient dividends from its subsidiaries from time to time. The Company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of, or promote the success of, the Company to do so. Any change in the tax treatment of dividends or interest received by the Company may reduce the amounts available for dividend distribution. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares

Notwithstanding the existence of statutory pre-emption rights in relation to the issue of Ordinary Shares for cash, future offerings or other issuances of new Ordinary Shares (including as a consequence of IP2IPO's exercise of its rights to convert the principal outstanding under the Convertible Loan into Ordinary Shares in accordance with the terms, and subject to the conditions, set out in the Convertible Loan Agreement, which are referred to below and in more detail in paragraph 12.11 of Part 7 of this document) could nevertheless dilute the holdings of Shareholders in the event that such pre-emption rights are dis-applied (such as is the case in respect of IP2IPO's exercise of its conversion rights, as described above) or Shareholders do not take up their rights. They may also adversely affect the prevailing market price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of equity securities.

Significant shareholders will continue to have substantial influence over the Company

The IPG Holders, Invesco and Finance Wales have agreed to subscribe for 5,624,600 Ordinary Shares, 6,527,777 Ordinary Shares and 1,388,888 Ordinary Shares, respectively, as part of the Placing.

On Admission, the IPG Holders will hold 23,808,100 Ordinary Shares, in aggregate, representing 45.60 per cent. of the Enlarged Share Capital. In addition, IP2IPO has agreed to provide the Convertible Loan to the Company on the terms of the Convertible Loan Agreement, which provide that IP2IPO may convert the principal amount outstanding pursuant to the Convertible Loan into such number of Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement. However, any purported conversion under the Convertible Loan Agreement is deemed to be immediately and automatically withdrawn and such purported conversion null and void and no such conversion shall occur in the event that any such conversion would cause IP2IPO to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 of ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 of the ITA 2007) of the Company; or (iii) give rise to an obligation on IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code (as more particularly described in paragraph 12.11 of Part 7 of this document).

On Admission, Invesco will hold 6,527,777 Ordinary Shares, in aggregate, representing 12.50 per cent. of the Enlarged Share Capital and the Invesco and IPG Concert Party will hold 30,477,377 Ordinary Shares, in aggregate, representing 58.37 per cent. of the Enlarged Share Capital.

On Admission, the entities comprising Finance Wales will hold 11,534,888 Ordinary Shares, in aggregate, representing 22.09 per cent. of the Enlarged Share Capital.

In addition, each of the IPG Holders and Finance Wales has the right (pursuant to their respective Relationship Agreements, further information in respect of which is set out in paragraph 12.6 of Part 7 of this document), for so long as each of them, across their various entities, holds in excess of 10 per cent. of the issued share capital of the Company, to nominate a director to the Company's board of directors.

As a practical matter, the Directors understand that there has never been any, and there will, following Admission, continue to be no, "common interest" between the constituents of each of the Invesco and IPG Concert Party and Finance Wales and they have historically acted, and will continue to act, following Admission, independently of each other in relation to their decisions, dealings and interactions with the Company,

Nevertheless, each of the IPG Holders and Finance Wales, separately, may be able to influence certain matters, both at a board level, and, particularly in the case of the IPG Holders, which require Shareholder approval, including the approval of significant corporate transactions in certain circumstances.

Such concentration of ownership between the Invesco and IPG Concert Party and Finance Wales may also potentially have the effect of delaying or preventing any future proposed change in control of the Group. The

market price of the Ordinary Shares could also be adversely affected if potential new investors are disinclined to invest in the Group because they perceive disadvantages to a large shareholding or shareholdings being concentrated in the hands of particular shareholding groups. The interests of the IPG Holders and/or Finance Wales and Shareholders that acquire Ordinary Shares in the Placing or otherwise may not be aligned. Notwithstanding the provisions of the Relationship Agreements, the IPG Holders and/or Finance Wales may make acquisitions of, or investments in, other businesses in the same sectors as the Group and these businesses may be, or may become, competitors of the Group.

Furthermore, the Takeover Panel would normally presume that all of the Existing Shareholders, as a consequence of the Share-for-Share Exchange, the re-registration of the Company as a public limited company and Admission, will be acting in concert with one another unless that presumption is rebutted. The Directors believe that whilst there are a number of distinct concert parties, such as the Invesco and IPG Concert Party and Finance Wales, who will hold Ordinary Shares at Admission (as described in more detail in paragraph 6.2 of Part 7 of this document), there has never been any, and will, following Admission continue to be no, "common interest" between the constituents of each of such separate concert parties so identified and that the members of each such separate concert party have historically acted, and provided that they will continue to act, following Admission, independently of each other in relation to their dealings and interactions with the Company, they should not be deemed to be acting in concert with each other. The Company has discussed the position with the Takeover Panel and the Takeover Panel has confirmed that the presumption that all Existing Shareholders at Admission are acting in concert with one another has been rebutted.

Because the aggregate size of its anticipated shareholding in the Company immediately following Admission, will be in excess of 50 per cent. of the Enlarged Share Capital, should any member of the Invesco and IPG Concert Party acquire an interest in any other shares in the Company which increases the percentage of the shares in which the Invesco and IPG Concert Party has an interest, the Invesco and IPG Concert Party will not be required by the Takeover Panel to make an offer for the shares in the Company not owned or controlled by it at that time as it will have "buying freedom". However, in the event that any constituent of the Invesco and IPG Concert Party was to make an acquisition of Ordinary Shares sufficient to increase its individual holding to 30 per cent. or more of the voting rights in the Company, or, if such constituent already held in excess of 30 per cent. but less than 50 per cent. of the voting rights in the Company and such acquisition increased its holding of Ordinary Shares, then such constituent of the Invesco and IPG Concert Party would be required to make a mandatory cash offer to acquire the Ordinary Shares in issue not owned or controlled by it at that time under Rule 9 of the City Code, regardless of the fact that the Invesco and IPG Concert Party, taken as a whole, had "buying freedom" at such time, as described above.

Should the Invesco and IPG Concert Party, taken as a whole, have its interests in Ordinary Shares diluted such that it is interested in less than 50 per cent. but more than 30 per cent. of the voting rights in the Company, then the Invesco and IPG Concert Party will cease to have "buying freedom", as described above, and if any constituent of the Invesco and IPG Concert Party acquires an interest in any other shares in the Company which increases the percentage of the shares in which the Invesco and IPG Concert Party, taken as a whole, has an interest, the Invesco and IPG Concert Party may be required by the Takeover Panel to make an offer for the shares in the Company which are not owned or controlled by it at that time.

As a consequence of the aggregate size of its anticipated shareholding in the Company immediately following Admission, the fact that the entities comprising Finance Wales will be presumed to be acting in concert with each other does not give rise to the same issues in respect of Rule 9 of the City Code as arise in connection with the Invesco and IPG Concert Party unless Finance Wales should increase its interests in shares in the Company such that, in aggregate, Finance Wales becomes interested in 30 per cent. or more of the voting rights in the Company, in which case this would give rise to issues in respect of Rule 9 of the City Code.

Although the Company does not intend to commence a share buy-back programme, while the Invesco and IPG Concert Party has "buying freedom" (as described above), any share buy-back, were one to be effected, which resulted in an increase in the percentage of voting shares held by the Invesco and IPG Concert Party, taken as a whole, would not have any implications under the City Code for the Invesco and IPG Concert Party, taken as a whole.

However, in the event that any share buy-back effected by the Company resulted in any constituent of the Invesco and IPG Concert Party increasing its individual percentage holding of the voting rights in the Company to 30 per cent. or more, or, if such constituent already held in excess of 30 per cent. but less than 50 per cent. of the voting rights in the Company and such share buy-back resulted in it increasing its individual percentage holding of the voting rights in the Company, then, unless such increase was approved by a 'whitewash' vote of independent Shareholders (that is, Shareholders unconnected with the Invesco and IPG Concert Party), such constituent of the Invesco and IPG Concert Party would be required to make a mandatory cash offer to acquire the Ordinary Shares in issue not owned or controlled by it at that time under Rule 9 of the City Code, regardless of the fact that the Invesco and IPG Concert Party, taken as a whole, may have had "buying freedom" at such time.

In addition, should the Invesco and IPG Concert Party, taken as a whole, have its interests in Ordinary Shares diluted such that it is interested in less than 50 per cent. but more than 30 per cent. of the voting rights in the Company, then the Invesco and IPG Concert Party, taken as a whole, will cease to have "buying freedom", as described above, and if, as a result of any share buy-back effected by the Company, any constituent of the Invesco and IPG Concert Party increased the percentage of the voting shares in which the Invesco and IPG Concert Party, taken as a whole, had an interest, any such increase may need to be approved by a 'whitewash' vote of independent Shareholders (as described above) to avoid the Invesco and IPG Concert Party being required to make a mandatory offer for the Company pursuant to Rule 9 of the City Code.

EIS status

The Company has received advance assurance from HMRC that it will be a ''qualifying holding'' for the purposes of the EIS under Chapter 4 of Part 5 of the UK Income Tax Act 2007 and that the Ordinary Shares will be eligible shares for the purposes of section 173 of the UK Income Tax Act 2007.

The continuing availability of EIS relief will be conditional, amongst other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making its investment. Neither the Company nor the Company's advisers are giving any representations, warranties or undertakings that any relief under the EIS will be available in respect of the Placing, or that, in due course, such relief or status will not be withdrawn.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS qualifying status of the Company (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding EIS change, then any relief or qualifying status previously obtained may be lost.

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

The issue of the EIS Placing Shares is not conditional on Admission

Investors should be aware that the EIS Placing Shares issued to EIS investors up to a maximum of approximately £120,000 (at the Placing Price) will not be issued conditionally upon Admission but will form a separate unconditional issue prior to the issue of the Further Placing Shares. This figure is less than the £5 million annual investment allowance due to previous fundraisings. Investors in the EIS Placing Shares should be aware that the there is no guarantee that the remainder of the Placing will become unconditional or that Admission will take place. The working capital statement set out in paragraph 14 of Part 7 of this document assumes that all of the Placing Shares are issued and that Admission takes place. If all of the Placing Shares are not issued and Admission does not take place, the Company will not be able to implement the strategy and growth plans as outlined in this document.

PART 4

INTELLECTUAL PROPERTY REPORT

Diurnal Group plc
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Numis Securities Limited
The London Stock Exchange Building
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EC4M 7LT

21 December 2015

1. Introduction

We have prepared this report for the directors of Diurnal Group plc ("**Diurnal**" or the "**Company**") and the Company's nominated adviser, Numis Securities Limited, for inclusion in the admission document dated 21 December 2015 issued by Diurnal in connection with the admission of its entire issued and to be issued share capital to trading on AIM, a market operated by the London Stock Exchange (the "**Admission Document**").

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we declare that we are responsible for this report, which forms part of the Admission Document, and that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

This report includes the following sections:

(i) Glossary of terms and the patent process

(ii) The relationship between Symbiosis and the Group

(iii) Executive summary

(iv) Patent filing strategy of the Group

(v) The Group's patent portfolio

(vi) Freedom to Operate (FTO) issues relevant to the Group

(vii) The Group's trademark portfolio

(viii) Third party interactions

(ix) Tables summarising the Group's patent and trademark portfolio

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Symbiosis is a specialist firm of Chartered and European Patent Attorneys that prosecutes patent applications and enforces patents solely in the Life Sciences. Symbiosis is licensed by and regulated by the Intellectual Property Regulation Board in the United Kingdom. Robert Docherty, the author of this report, is a shareholder in Symbiosis, has a BSc and a PhD in biological sciences, has ten years post-doctoral research experience, and is a European Patent Attorney. He has been advising clients in the Life Sciences sector in relation to protecting their inventions since 1997. He has been providing patent prosecution advice to the Group since its creation in 2004 and has worked closely to develop a portfolio of patent applications and granted patents that seek to protect the lead formulations owned by the Group.

Robert Docherty has assisted GlaxoSmithKline Australia PTY Limited in the recent acquisition of its opiates business by the Indian pharmaceutical company, Sun Pharmaceuticals PLC, and manages the patent portfolio on behalf of Sun Pharmaceutical Industries Australia PTY Limited.

Symbiosis has no equity interest in the Group and this report is prepared in its capacity as patent attorneys to the Group.

Yours faithfully

For Symbiosis IP Limited

2. Glossary of Terms

Patent Filing Timeline

A first patent application is typically filed at a national office (t+0 months). After a period of 12 months an application directed to the same invention is filed with a PCT receiving office (International Filing Date) and priority claimed (filing at t+0 months, priority date). The application is in the "International Phase" where an International Search is conducted and a Written Opinion produced, after which an optional international preliminary examination can be conducted. At t=18 months, the International application is published. After t+30 or t+31 months, respectively, the applicant has to decide in which countries the application shall be examined and subsequently granted. The phase after the "International Phase" is termed "National Phase". Examination and the subsequent grant of the application can take several months or years.

As mentioned above, the applicant can decide at t+30/31 months to file the application at different national offices such as the US, Australia, Japan or Europe. Europe provides a single European filing system whereby the European patent application is examined by the European Patent Office under the European Patent Convention ("**EPC**") and, if found patentable, can be validated in up to 38 European countries party to the EPC so conferring "protection of the invention" in the validated state. The granted patent has a term of 20 years calculated from the filing date (not priority date).

Novelty

The grant of a patent requires compliance with national patent laws. A requirement is that the invention is novel (new) when compared to the prior art. Prior art defines all information relevant to the patent application's subject matter published prior to the priority date (see below) or filing date of the patent application. The priority date is the first patent application to disclose the invention and the Paris Convention allows applicants to file a subsequent patent application that claims the priority date of the first application (a "**priority application**", sometimes called a "**provisional application**"). This is advantageous because the patent term is calculated from the filing date and not priority date. The priority date determines what is "prior art", that which is published before the priority date. The prior art used to determine whether an invention is novel can be any public disclosure in any form (for example, manuscript, lecture, internet disclosure or exchange of materials). Typically, patent office examiners search the available databases for prior art relevant to the claims made in the patent application. The identified prior art is then used by the examiner to assess whether the invention is novel.

Inventive Step

In addition to the requirement of novelty, an invention has to have an inventive step. In the USA, this is referred to as "obviousness" and is determined with reference to the prior art. To comply with the requirement of inventive step, the invention has to be more than a trivial modification of the technology that is part of the prior art. Typically, to have an inventive step, an invention has to have an unexpected or surprising technical effect which could not have been predicted from the prior art.

Industrial application (utility)

Once the requirements of novelty and inventive step are complied with, an invention has to have industrial application which, in essence, means it has to have a use in industry, for example, pharmaceuticals, agriculture, electronics or engineering.

Sufficiency of Disclosure

In addition to the core requirements of novelty, inventive step and industrial application, there is a requirement that the patent application has to provide details of how the invention works. This is sometimes referred to as providing an enabling disclosure of the invention which means providing all the essential features to put the invention into practice. "Support" combines with sufficiency of disclosure to provide at least one working example of the invention. This is typically illustrated by examples and drawings to show the technical effects of the invention.

Priority Date

The priority date defines the first filing of a patent application disclosing an invention in a State which is a party to the Paris Convention or Member of the World Trade Organisation. Any person filing an application in a State party to the Paris Convention or Member of the World Trade Organisation enjoys when filing a subsequent European, International or National application the **right of priority** for the same invention during a period of twelve months from date of filing the first patent application (priority date).

Patent Cooperation Treaty (PCT)

The PCT assists applicants in seeking patent protection internationally for their inventions. By filing one international patent application under the PCT, applicants preserve the choice to seek protection for an invention in 148 countries throughout the world for an average of 30 or 31 months from priority or filing date. The date of filing a first application at a national office without a claim to priority or a subsequent application with a claim to priority is termed the **Filing Date**. The Filing Date defines the **patent term**, which is 20 years from Filing Date. After 20 years, the patent **expires**. The **International Filing Date** refers to applications filed with the PCT.

Global Patent Prosecution Highway (GPPH)

The GPPH allows patent applicants to request accelerated examination at any of the participating offices referred to below if their claims have been found to be allowable by any of the other participating offices. Current participating offices of the GPPH are: IP Australia (IP Australia), Austrian Patent Office (APO), Canadian Intellectual Property Office (CIPO), Danish Patent and Trademark Office (DKPTO), Estonian Patent Office (EPA), Finnish Patent and Registration Office (PRH), German Patent and Trademark Office (DPMA)Hungarian Intellectual Property Office (HIPO), Icelandic Patent Office (IPO), Israel Patent Office (ILPO), Japan Patent Office (JPO), Korean Intellectual Property Office (KIPO), Nordic Patent Institute (NPI), Norwegian Industrial Property Office (NIPO), Portuguese Institute of Industrial Property (INPI), Russian Federal Service for Intellectual Property (ROSPATENT), Intellectual Property Office of Singapore (IPOS), Spanish Patent and Trademark Office (SPTO), Swedish Patent and Registration Office (PRV), United Kingdom Intellectual Property Office (UKIPO), and United States Patent and Trademark Office (USPTO).

A similar bilateral programme allowing accelerated processing exists between China and the UK (UK-China Patent Prosecution Highway (PPH)).

Accelerated Search and Examination

The UK Intellectual Property Office (and other patent offices) provides the option of accelerating the search and examination and, subsequently, the grant of the application, although valid reasons for the need of acceleration must be given (for example, potential investor, infringement or product launch).

Divisional Application

This derives from an initially filed application (parent application) which was found to contain more than one invention. The divisional application has the same filing and priority date as the parent application and the grant term of the parent and divisional patent expires at the same time.

Patent Term Adjustment

This is a feature of US patent prosecution whereby patent proprietors receive an extended patent term (beyond 20 years) for delays by the US Patent Office. It compensates lost patent term for prosecution delays that are not the fault of the patent proprietor.

Opposition

Certain jurisdictions provide for third parties to oppose the grant of a patent. This can be either a post-grant procedure (as provided in Europe) or a pre-grant procedure (as provided in Australia). It allows third parties to challenge the conclusion of the respective national patent offices that a patent should be granted. This can be on the grounds that the invention is not novel, not inventive, not industrially applicable or insufficiently

disclosed. These grounds can vary from territory to territory and can be common when it concerns particularly valuable technology and competing companies.

3. Executive Summary

- Infacort® is a substantially immediate release pharmaceutical formulation of hydrocortisone adapted to release shortly after swallowing by an infant or elderly patient to increase administration compliance and improve control of adrenal insufficiency in these patient cohorts.

- Chronocort® is a delayed and immediate release formulation of hydrocortisone adapted to release hydrocortisone in a manner that reproduces the physiological release of cortisol, the natural hormone, to provide improved disease control by reproducing the secretion of the natural hormone cortisol.

- The Group has applied for or obtained in key jurisdictions (see Tables 1, 2, 3 and 4) the grant of patents over products and processes whose claims cover both the Infacort® and Chronocort® products.

- Two patent applications have been applied for which cover Infacort® (see Patent Families 1 and 2). The first of these patents has been granted in the United Kingdom and Hong Kong (by extension of the granted UK patent). The remaining patent applications are pending (see Tables 1 and 2) and awaiting examination by national patent offices. The prior art has been dealt with in relation to securing grant in Great Britain and the same prior art will be used in the corresponding national phase applications. Prior art was raised as a concern but successfully addressed during examination of the UK patent by amendment to the claims and the expectation is that the patents will proceed to grant in all key jurisdictions over the next 18 to 24 months using similar amendments and arguments to address the prior art. It is expected that the claims will at least protect Infacort®.

- A patent has been applied for Chronocort® (Patent Family 3) and this is granted in Great Britain. Although the remaining patent applications are pending, it is expected that issues raised in relation to prior art will be addressable by amendment to the claims and Symbiosis' expectation is that the patents will proceed to grant in all key jurisdictions and will, at least, protect Chronocort®. Patent Family 3 also covers some products in development, such as Rheumacort®.

- The Group accelerated examination in Great Britain in relation to Patent Families 1 and 3 which resulted in granted patents covering Infacort® and Chronocort®. In addition a request has been filed and accepted by the UK Intellectual Property Office to accelerate examination of Patent Family 2. Symbiosis expects a UK patent to be granted with respect to Patent Family 2 in early 2016 and Symbiosis intends to deal with prior art in corresponding territories to follow the opinion of the UK Intellectual Property Office.

- A patent has also been granted in a number of key jurisdictions (see Table 4) covering the Group's native testosterone formulation (Patent Family 4). Grant is expected in three additional jurisdictions (Canada, India and South Korea) with claims of similar scope and covering the Group's native testosterone formulation. Symbiosis expects allowance of the Canadian and South Korean applications in early 2016 and the Indian application in 2017.

- Freedom to operate searches have confirmed that the exploitation of Infacort® or Chronocort® in Europe or the USA is not expected to infringe any pre-existing third party patent rights.

4. Patent Filing Strategy for the Group

The Group is in regular contact with Symbiosis' attorneys to assess new developments and ensure the patent portfolio is aligned to product development. This is reflected in the Group's patent portfolio – see Tables 1, 2, 3 and 4. The Group attends regular scientific meetings internationally to present its research. Symbiosis audits all disclosures before they become public to ensure no intellectual property (IP) leakage. The Group is aware of the risks of disclosing technical information.

The Group undertakes the filing of UK priority applications with a request for search. This allows both the Group and Symbiosis to assess the prior art and whether the prior art is relevant to novelty or inventive step.

This enables, if needed, amendment to the claims to distinguish the claims from the prior art. The Group then instructs Symbiosis to prepare and file a PCT application which claims the priority date of the UK priority application. The PCT application is the equivalent to filing in 148 countries (2015) at the same time and delays expensive national phase applications for at least 18 months. This enables a further assessment of the prior art by the issuance of an International Search Report and Written Opinion which is a non-binding opinion of the claims made in the PCT application. The next decision for the Group, at the end of the PCT phase, is to file in those jurisdictions in which it wishes to secure patent protection for its inventions. This is an expensive stage involving the filing of applications in key territories such as the USA, Japan, China and Europe. The Group discusses with Symbiosis the proposed filing strategy and, once decided, Symbiosis instructs its foreign associates to file the national phase applications before the relevant deadlines.

Assignments from inventors under the various patents referred to below to the Group have been executed and all maintenance fees have been paid. The patent portfolio is pending or granted in the designated national jurisdictions. The full geographic scope of the patent filing programme is shown in Tables 1, 2, 3 and 4.

5. The Group's Patent Portfolio

The Group has undertaken an extensive patent filing programme to protect Infacort® and Chronocort® and their proprietary testosterone formulation. This is illustrated in Tables 1, 2, 3 and 4.

5.1 *Infacort®*

Infacort® is an immediate release hydrocortisone formulation comprising a micro-particulate carrier of microcrystalline cellulose for use in the control of Adrenal Insufficiency, including Congenital Adrenal Hyperplasia, in neonates, infants, small children, pre-pubescent children and the elderly where compliance and dosing is a significant problem. Infacort® aims to deliver improved compliance, improved disease control and a reduced side effect profile. Infacort® is disclosed in two Patent Cooperation Treaty (PCT) applications; WO2013/072707 and WO2014/184525.

5.1.1 *WO2013/072707 (Patent Family 1)*

WO2013/072707 has an International filing date of 19 November 2012 and claims a priority date of 19 November 2011. The patent will expire on 19 November 2032. The claims in WO2013/072707 are directed to: a medical use indication for an immediate release hydrocortisone formulation (Infacort®) for the treatment of adrenal insufficiency in paediatric and elderly subjects and a process for the manufacture of the above mentioned immediate release formulation (Infacort®).

The invention disclosed in Patent Family 1 relates to addressing the problem of controlled dosage of hydrocortisone for certain patients groups, in particular, infants. Typically, for infants, it is a problem to ensure a therapeutically effective dose of hydrocortisone is administered to control Adrenal Insufficiency. Symbiosis believes that, at present, there is no preparation of hydrocortisone that can adequately replace cortisol for a paediatric patient suffering from Adrenal Insufficiency. The current approach is to divide an adult dose which means the child can receive a variable amount of hydrocortisone. Moreover, hydrocortisone is reported to have a bitter taste which presents a further problem of compliance by paediatric patients.

The Group has developed a micro-particulate formulation coated with a specified dosage of hydrocortisone which is further coated with a taste masking layer to mask the taste of hydrocortisone.

WO2013/072707 was nationalised before the 30 (31) month PCT deadline of 19 May 2014 (19 June 2014) and the application is proceeding (currently under examination) in the following territories: **Australia, Brazil, Canada, Europe, Israel, India, Japan, South Korea, USA and South Africa.**

The Group elected to accelerate grant for the UK patent (GB2509663) and secured grant on 7 January 2015. This granted UK patent has been extended to Hong Kong with identical claims to those granted in the UK patent. These claims generically protect the use of a pharmaceutical composition adapted for oral delivery of hydrocortisone comprising a micro-particulate carrier comprising hydrocortisone, sealed with a sealing layer and coated with a taste masking layer. Claim 1 generically protects the use of a pharmaceutical composition adapted for oral delivery in the treatment of Adrenal Insufficiency in paediatric and elderly subjects[21]. Infacort® is within the scope of the granted claims. The patent also includes claims that protect a process for the manufacture of the immediate release hydrocortisone formulation (Infacort®).

The Group's patent filing strategy moving forward will make use of the Global Patent Prosecution Highway (GPPH) to expedite examination in corresponding national phase applications filed in different territories based on the granted UK patent. GPPH is a process by which a granted patent can be used to expedite examination in those countries that are party to the GPPH. It allows applicants to obtain granted patents more quickly and cost effectively than by the traditional route of filing and substantive examination by national offices. This came into effect in January 2014. In relation to Patent Family 1, the following territories are party to the GPPH: Australia, Canada, Israel, Japan, South Korea, Russia and the USA.

Alternatively, in those territories that are not part of the GPPH (Family 1: South Africa, India and Europe (please note, in Europe, the Group can accelerate grant by requesting accelerated examination, "PACE")) the same arguments used to secure grant in GB2509663 can be applied. The national phase applications will enter substantive examination during 2016 with allowance (patent grant) expected across the portfolio in 2017 to 2018. The intention is that grant will coincide with the estimated grant of market authorisation in Europe for Infacort® in 2017.

5.1.2 *WO2014/184525 (Patent Family 2)*

WO2014/184525 has an International filing date of 12 May 2014 and claims a priority date of 17 May 2013. UK priority application GB1308933.9 was jointly filed with Glatt GMBH. Glatt GMBH is a contract pharmaceutical formulation company that has been engaged by the Group to manufacture the Infacort® formulation that will be used in Phase III trials. An assignment of GB1308933.9 from Glatt to Diurnal Limited has been executed transferring all rights to Diurnal Limited exclusively (but subject to various rights of Glatt as are described in paragraph 11.2 of Part 7 of the Admission Document). The PCT application was filed solely in the name of Diurnal Limited. This PCT application was filed on 12 May 2014 before publication of Family 1 with the intention of minimising the prior art effect of Patent Family 1 on Patent Family 2. Family 1 does not disclose the optimised Infacort® formulation that will enter Phase III clinical trials. It is envisaged that Patent Family 2 will advantageously extend the patent term in relation to Infacort® and include all patient groups (i.e. Patent Family 2 is not specific in terms of defining the nature of patient to whom the treatment is applicable and will apply to paediatric and elderly subjects as well as those in middle age).

The International Search Report produced by the European Patent Office considers the lead formulation is novel over the formulations disclosed in Patent Family 1. The patent (when granted) will expire in most territories on 12 May 2034.

WO2014/184525 has been applied for and is in the process of being nationalised (30/31 month national phase deadline 17 November 2015; 17 December 2015) in the following territories: **Australia, Brazil, Canada, China, Algeria, Egypt, Europe, UK, Israel, India, Japan, South Korea, Mexico, New Zealand, Russia, USA, United Arab Emirates and South Africa, Hong Kong (to be filed); Table 2.**

The Group has accelerated search and examination for its UK patent application to secure early grant. The intention is to expedite allowance in corresponding national phase applications via

21 Infants, children and adolescents.

GPPH in those countries that are participating in GPPH. In relation to Family 2, the following territories are party to GPPH: Australia, Canada, Israel, Japan, South Korea and the USA.

The claims of Patent Family 2 are directed to a pharmaceutical composition ("composition of matter") adapted for oral administration and more particularly claiming the features of Infacort® and the lead formulation that will be assessed in Phase III clinical trials. "Composition of matter"-type claims are claims that do not recite a medical indication and therefore provide protection beyond the key indication of Adrenal Insufficiency and, potentially, can protect other medical indications that would benefit from a substantially immediate release hydrocortisone formulation. It is the belief of Symbiosis that the prior art is addressable by amendment to the patent claims and that claims will be granted that will protect at least the Infacort® formulation.

5.1.3 *Infacort® Prior Art*

Patent Family 1:
In relation to Patent Family 1, the European Patent Office has issued an International Search Report and Written Opinion citing prior art considered relevant to patentability. The prior art was dealt with and overcome during accelerated examination of the UK patent application and resulted in a granted UK patent (GB2509663). As set out above, the Group will either make use of GB2509663 and GPPH to expedite allowance in corresponding territories or deal with the prior art objections in line with the strategy used to address UK examination. No additional prior art searches were undertaken by Symbiosis and the current opinion in relation to novelty and inventive step is based on the searches conducted by the UK Intellectual Property Office and European Patent Office. The prior art identified in these searches will be used in relation to corresponding national phase applications by patent offices in which Patent Family 1 has been filed. The US Patent and Trade Mark Office will undertake its own searches to supplement the searches already completed by the UK Intellectual Property Office and European Patent Office. We expect the US Patent and Trade Mark Office to begin examination during 2016.

Patent Family 2:
In relation to Family 2, the European Patent Office has issued an International Search Report and Written Opinion which considers the claims are novel but lack inventive step. The claims will require amendment to deal with the alleged lack of inventive step although Symbiosis is confident that this objection can be overcome to provide a claim that protects at least the lead Infacort® formulation.

The Group has filed a request for accelerated search and examination at the UK Intellectual Property Office, which has been accepted. Arguments in support of inventive step will be presented to the UK examiner. Symbiosis believes claim amendment will address the alleged inventive step objection raised in the International Search Report and Written Opinion and it is the belief of Symbiosis that grant will be secured in 2016. The Group will either make use of the granted UK patent and GPPH to expedite allowance in corresponding territories and also to deal with the prior art objections in those territories not party to PPH in line with the strategy used to address UK examination.

5.2 ***Chronocort®***

Chronocort® is a delayed and immediate release formulation of hydrocortisone that is expected to have a sustained absorption profile once administered to an adult subject to provide physiological cortisol replacement therapy. The primary indication for Chronocort® is Adrenal Insufficiency, including Congenital Adrenal Hyperplasia, although the formulation may have application in other disease indications that would benefit from the circadian delivery of hydrocortisone, such as rheumatoid arthritis (Rheumacort®) and depression, which, once granted, will provide protection for these medical indications and any other medical indications that would benefit from physiological cortisol replacement therapy. The Group has developed a formulation the aim of which is to accurately mimic the circadian release of cortisol and provide physiological cortisol replacement therapy to

provide improved disease control and an improved side effect profile. Chronocort® is disclosed in PCT application WO2013/121184 and GB1302406.2.

5.2.1 *WO2013/121184 & GB1302406.2 (Patent Family 3)*

Patent Family 3 has an International filing date of 12 February 2013 and claims the priority dates of earlier applications GB1202433.7, US61/599,704 & US61/600,958. The patent will expire in most territories on 12 February 2033. In addition to WO2013/121184, the Group elected to file a UK application (GB1302406.2) claiming the same priorities as WO2013/121184 to secure early grant in the UK, which it did on 12 November 2014.

The claims for Patent Family 3 were drafted to protect two aspects of Chronocort®, namely:

(i) the immediate release drug core; and

(ii) a delayed release outer layer.

The reason for this is to provide complete and robust patent protection for Chronocort®.

5.2.2 *United Kingdom*

GB1302406.2 has been granted as GB2502402. A UK divisional application was filed from GB1302406.2 to overcome an alleged lack of unity of invention raised by the UK examiner. The UK examiner considered claims directed to the immediate release core and the delayed release outer layer to relate to different inventive concepts. Patents have to be directed to single inventions and, in the case of the UK patent, the examiner considered the UK patent application to relate to more than one invention. Granted claim 1 of GB2502402 recites a pharmaceutical composition for oral delivery that is characterised by an immediate release core comprising a microcrystalline core and hydrocortisone; (i) above. The divisional application relates to the delayed release outer layer and is pending and under examination; (ii) above. Claim 1 of divisional application GB2510754 is alternatively claimed by reference to the delayed release layer. It is the belief of Symbiosis that the combination of GB2502402 and GB2510754 protects Chronocort® in the United Kingdom.

5.2.3 *Outside the United Kingdom*

Chronocort® is disclosed in WO2013/121184. WO2013/121184 is nationalised and applied for (currently under examination) in the following territories: **Algeria, Australia, Brazil, Canada, China, Egypt, Europe, Hong Kong, Israel, India, Japan, South Korea, Mexico, New Zealand, Russia, USA, United Arab Emirates and South Africa; see Table 3**. Symbiosis is co-ordinating the prosecution of these national phase applications.

In New Zealand, a first official action has issued raising a lack of unity of invention similar in content to that raised by the UK Intellectual Property Office. A response has been filed by Symbiosis' New Zealand associates based on the granted UK claims in GB2502402 and allowance of grant is expected in early 2016. The Group can file a divisional application to the non-elected invention as it has done in the United Kingdom.

In the corresponding Chinese application, a first official action has issued raising a lack of unity of invention, as described above. A response to the official action has been filed addressing the alleged lack of patentability of the first claimed invention. The claims have been amended and are of similar scope to claims considered allowable in GB2502402. Symbiosis expects grant in early 2016 and has the option to file a divisional application to the non-elected invention as done in the corresponding UK patent.

Symbiosis expects similar objections from the patent offices in the corresponding national phase applications and we will address these objections using the strategy that has been successful in relation to GB2502402. Symbiosis expects grant of national applications throughout 2016 to 2018 with claim scope similar to that secured in GB2502402 and eventually

grant of the divisional application GB2510754 and, where needed, divisional applications in other national jurisdictions.

5.2.4 *Chronocort® Prior Art*

In relation to Patent Family 3, the International Search Report and Written Opinion issued by the European Patent Office considers that the claims are novel but lacking inventive step. Similarly, in the corresponding UK patent application, claims were considered novel but lacking inventive step. When responding to the UK examination report, Symbiosis introduced the prior art cited in the International Search Report and dealt with the inventive step objection in light of all cited prior art (prior art identified in both PCT and UK search reports). This resulted in the grant of GB2502402. In relation to UK divisional application GB2510754, a first examination report considers that the claims are novel. Symbiosis has responded to the UK examination report and is confident arguments to overcome the inventive step objection can be successfully made to secure grant in the United Kingdom in 2016 and overseas (see Table 3) 2016 to 2018.

5.3 ***Native Testosterone Formulation***

The Group has developed a formulation comprising native testosterone adapted for oral delivery for the treatment of hypogonadism. The main challenge with oral delivery of native testosterone is that, whilst the hormone undergoes rapid and complete absorption, there is considerable metabolism in both the gut wall and during first hepatic pass which accounts for almost a 98 per cent. reduction in testosterone bioavailability. The Group's approach is a combination of a lipid based formulation with excipients that aim to provide improved bioavailability. An additional feature of the native testosterone formulation is that it can be taken with food and not in a fasted state which is a problem associated with testosterone ester formulations. The Group's native testosterone formulation is disclosed in WO2009/133352.

5.3.1 *WO2009/133352 (Patent Family 4)*

WO2009/133352 has an International filing date of 27 April 2009 claiming a UK priority date of 28 April 2008 (GB0807605.1). The patent will expire on 27 April 2029 (US9,012,436 expiry: 4 September 2030 due to patent term adjustment).

WO2009/133352 was nationalised in **Australia, Canada, China, Europe, Israel, India, Japan, South Korea, USA and South Africa; Table 4**. The patent is granted in all of these jurisdictions except Canada, India and South Korea. The European patent (EP) granted on 30 July 2014. The granted European patent designated 35 European countries party to the European Patent Convention (EPC). Once granted, the Group validated (filed) the granted patent in the following EPC contracting states: Austria, Belgium, Switzerland and Liechtenstein, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Hungary, Ireland, Italy, Lithuania, Netherlands, Norway, Poland, Portugal, Sweden, Slovakia and Turkey. The European patent is outside its opposition period and cannot be subject to third party opposition. Opposition is a post-grant procedure provided under the EPC to allow third parties to object to the grant of the EP patent on the grounds that the patent is not novel, has no inventive step, lacks industrial application, is insufficiently disclosed or is amended during prosecution in a way that adds material to the application as originally filed. The opposition period begins on the date of publication of grant and lasts for nine months. Once the nine month opposition period expires, no third party may oppose the grant of the EP patent and the only option is revocation, which is a more complicated and costly process.

The granted claims in the various jurisdictions are directed to a formulation comprising native testosterone for oral delivery and characterised by a combination of ethanol and benzyl alcohol which enhances both the solubility and bioavailability of native testosterone. The granted claims in various territories provide protection for at least the lead formulation developed by the Group.

Diurnal also filed divisional applications in Australia, Europe, the USA and Israel directed to the claimed formulation but with the substitution of native testosterone for a testosterone ester, for example testosterone undecanoate. This will maximise the opportunity beyond native testosterone. These divisional applications are awaiting examination.

5.3.2 *Native Testosterone Formulation Prior Art*

The International Search Report for this patent application identified prior art relevant to the generic claims reciting testosterone although these objections were overcome. The key feature conferring patentability to the native testosterone formulation is the combination of ethanol and benzyl alcohol which, in combination with native testosterone and a lipid based excipient, creates a formulation with exceptional bioavailability. Symbiosis successfully argued this before the national offices which have granted claims to this formulation. Symbiosis expects grant in those territories in which the patent applications are still under examination (Canada, India and South Korea).

5.4 ***Freedom to Operate***

A freedom to operate (FTO) analysis has been carried out to assess whether the Group's lead products, Chronocort® and Infacort®, will infringe any existing patent rights belonging to third parties. FTO searches covering major jurisdictions (PCT/EP/USA) were completed on behalf of the Group in February 2014 and analysed in relation to Infacort® and Chronocort® products and process for manufacture. Following those searches, Symbiosis concluded that the risk of infringement of third party patents in Europe and the US was low.

6. The Group's trademark portfolio

In addition to its patent portfolio, the Group has also registered the following trademarks:

- a UK trademark registration for INFACORT;
- Community trademark registrations for DIURNAL, CHRONOCORT, INFACORT and RHEUMACORT (word marks) a Community trademark registration provides registered protection for a trademark throughout the European Union; and
- US trademark registrations for CHRONOCORT, INFACORT and RHEUMACORT.

Registration of a trademark in a territory provides the proprietor with an exclusive right to use their mark for the goods or services specified in the registration and entitles the owner to prevent third parties using an identical or confusingly similar mark.

Initially, a trademark registration gives protection for a limited period, generally ten years, but thereafter the trademark is renewable. Unlike the patent system, there is no limit on the period of protection, and registrations can therefore be renewed ad infinitum. Thus, when a patent for a product expires, if the owner has built up a sufficient reputation under the brand in the product, then public recognition of the brand may enable the owner to retain a good market share in the relevant product sector due to brand loyalty. It is possible to accrue rights in a trademark without registration by virtue of use, but such rights are harder to establish and enforce.

Whilst the Group has registered current product names in key jurisdictions (the US and European Union), it should be noted, however, that the trademarks which the Group is to apply to its products need to be approved by the relevant medicines authorities and may, therefore, change prior to product launch.

See Table 5 for full registration details.

7. Third Party Interactions

Symbiosis is not aware of any potential or pending IP-related litigation or patent or trademark office opposition proceedings involving the Group. Symbiosis is also not aware of any specific third party rights that may be used to limit the Group's commercial aims for its key development and product areas.

Furthermore, Symbiosis is not aware of any third party actively developing commercial products that fall within the scope of the Group's patent portfolio.

Table 1: Infacort® WO2013/072707 (Patent Family 1)

Country	*Application number*	*Status (Grant Registration number)*
Australia	2012338583	Pending
Brazil	BR112014011745	Pending
Canada	2854717	Pending
European Patent Office	12806617.2	Pending
United Kingdom	1407380.3	Granted (GB2509663)
Hong Kong	14107519.1	Granted (HK14107519.1)
Israel	IL232065	Pending
India	4540/DELNP/2014	Pending
Japan	2014-541759	Pending
Republic of Korea	10-2014-7015908	Pending
United States of America	US 14/452,651	Pending
South Africa	2014/03622	Pending

Table 2: Infacort® WO2014/184525 (Patent Family 2)

Country	*Application number*	*Status (Grant Registration number)*
United Arab Emirates	P1506/2015	Pending
Australia	(AU) 2014267041	Pending
Brazil	(BR) 11 2015 028025 0	Pending
Canada	To be confirmed	Pending
China	(CN) 201480021880.9	Pending
Algeria	To be confirmed	Pending
Egypt	PCT/2015/1768	Pending
European Patent Office	14727028.4	Pending
United Kingdom	1516973.3	Pending
Hong Kong	To be confirmed	Pending
Israel	242275	Pending
India	2982/MUMNP/2015	Pending
Japan	To be confirmed	Pending
Republic of Korea	To be confirmed	Pending
Mexico	To be confirmed	Pending
New Zealand	NZ712756	Pending
Russian Federation	(RU) 2015150303	Pending
United States of America	(US) 14/888,648	Pending
South Africa	2015/07210	Pending

Table 3: Chronocort® (Patent Family 3)

Country	*Application number*	*Status (Grant Registration number)*
United Arab Emirates	P851/2014	Pending
Australia	2013220139	Pending
Brazil	11 2014 02008 4	Pending
Canada	2,864,031	Pending
China	201380008921.6	Pending
Algeria	140468	Pending
Egypt	PCT/2014/1274	Pending
European Patent Office	13709499.1	Pending
United Kingdom	1302406.2	Granted (GB2502402)
United Kingdom (divisional)	1408444.6	Pending
Hong Kong	15104320.6	Pending
Hong Kong (divisional)	14108922.0	Pending
Israel	234061	Pending
India	6808/DELNP/2014	Pending
Japan	2014-556141	Pending
Republic of Korea	10-2014-7025024	Pending
Mexico	MX/A/2014/009716	Pending
New Zealand	627468	Pending
Russian Federation	2014130866	Pending
United States of America	14/374,179	Pending
South Africa	2014/06311	Pending

Table 4: Native Testosterone Formulation (Patent Family 4)

Country	*Application number*	*Status (Grant Registration number)*
Austria	09738382.2	Granted (2273984)
Australia	2009241910	Granted (2009241910)
Australia (Divisional)	2014200332	Pending
Belgium	09738382.2	Granted (2273984)
Canada	2722408	Pending
Switzerland	09738382.2	Granted (2273984)
China	CN200980114991.3	Granted (ZL 200980114991.3)
Czech Republic	09738382.2	Granted (2273984)
Germany	09738382.20	Granted (602009025660.20)
Denmark	09738382.2	Granted (2273984)
Estonia	09738382.2	Granted (2273984)
European Patent Office	09738382.2	Granted (2273984)
European Patent Office (Divisional)	13186572.7	Pending
Spain	09738382.2	Granted (2273984)
Finland	09738382.2	Granted(2273984)
France	09738382.2	Granted (2273984)
United Kingdom	EP2273984	Granted (2273984)
Greece	09738382.2	Granted (2273984)
Hong Kong	14107520.8	Pending
Hungary	09738382.2	Granted (2273984)
Ireland	09738382.2	Granted (2273984)
Israel	208612	Granted (208612)
Israel (Divisional)	236400	Pending
India	4471/KOLNP/2010	Pending
Italy	09738382.2	Granted (2273984)

Country	*Application number*	*Status (Grant Registration number)*
Japan	2011-506766	Granted (5727925)
Republic of Korea	10-2010-7025087	Pending
Latvia	09738382.2	Granted (2273984)
Netherlands	09738382.2	Granted (2273984)
Norway	09738382.2	Granted (2273984)
Poland	09738382.2	Granted (2273984)
Portugal	09738382.2	Granted (2273984)
Sweden	09738382.2	Granted (2273984)
Slovakia	09738382.2	Granted (2273984)
Turkey	09738382.2	Granted (2273984)
United States of America	12/989,948	Granted (9012436)
United States of America (Divisional)	14/601839	Pending
South Africa	2010/07612	Granted (2010/07612)

Table 5: Trademarks

Country/Region	*Mark*	*Application date*	*Registration number*	*Class*
European Community	CHRONOCORT	20 Dec 2006	005572516	5
European Community	DIURNAL	18 Jan 2010	008815888	5 42 44
European Community	RHEUMACORT	01 Apr 2010	009002049	5
European Community	INFACORT	01 Apr 2011	009859331	5
United Kingdom	INFACORT	04 Oct 2010	2560457	5
United States of America	CHRONOCORT	20 Dec 2006	3656320	5
United States of America	RHEUMACORT	01 Oct 2010	4027969	5
United States of America	INFACORT	31 Mar 2011	4287498	5

PART 5

HISTORICAL FINANCIAL INFORMATION ON DIURNAL LIMITED

This Part 5 contains: in Section A, the accountant's report on the historical financial information of Diurnal Limited; and, in Section B, the historical financial information of Diurnal Limited for the three years and one month ended 30 June 2015.

SECTION A: ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF DIURNAL LIMITED

The following is the full text of a report on Diurnal Limited from KPMG LLP, the Reporting Accountants, to the Directors of Diurnal Group plc.

Private & confidential

The Directors
Diurnal Group plc
1 Callaghan Square
Cardiff
CF10 5BT

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

21 December 2015

Ladies and Gentlemen

Proposed initial public offering of Diurnal Group plc

We report on the financial information set out on pages 105 to 131 for the three years and one month ended 30 June 2015 in relation to Diurnal Limited. This financial information has been prepared for inclusion in the AIM Admission Document dated 21 December 2015 of Diurnal Group plc (the "**Company**") (the "**AIM Admission Document**") on the basis of the accounting policies set out in paragraph 2 of Section B of this Part 5. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

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

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

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

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of Diurnal Limited as at 27 May 2013, 27 May 2014 and 30 June 2015 and of its profits/losses, cash flows and recognised gains and losses for the three years and one month in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

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

Yours faithfully

KPMG LLP

SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO DIURNAL LIMITED

Income statement

	Note	*Year ended 27 May 2013 £000*	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Research and development expenditure	6	(904)	(1,214)	(1,570)
Administrative expenses	6	(311)	(384)	(1,657)
Other operating income		336	661	241
Operating loss		(879)	(937)	(2,986)
Financial income	9	1	13	8
Financial expense	10	(3)	(57)	(41)
Loss before tax		(881)	(981)	(3,019)
Taxation	12	20	97	81
Loss for the period		(861)	(884)	(2,938)
Basic and diluted loss per share (pence per share)	11	(2,382.91)	(2,405.85)	(5,486.28)

All activities relate to continuing operations.

Statement of other comprehensive income

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Loss for the period	(861)	(884)	(2,938)

Balance sheet

	Note	*27 May 2013 £000*	*27 May 2014 £000*	*30 June 2015 £000*
Non-current assets				
Intangible assets	13	18	14	10
Property, plant and equipment	14	5	3	5
		23	17	15
Current assets				
Trade and other receivables	15	62	115	376
Cash and cash equivalents	16	563	951	6,073
		625	1,066	6,449
Total assets		648	1,083	6,464
Current liabilities				
Interest bearing loans and borrowings	17	(24)	(24)	(24)
Trade and other payables	18	(105)	(114)	(399)
		(129)	(138)	(423)
Non-current liabilities				
Interest bearing loans and borrowings	17	(46)	(1,039)	–
Derivative financial instruments	19	–	(228)	–
		(46)	(1,267)	–
Total liabilities		(175)	(1,405)	(423)
Net assets/(liabilities)		473	(322)	6,041
Equity				
Share capital	20	439	439	61
Share premium		3,088	3,088	12,347
Retained earnings		(3,054)	(3,849)	(6,367)
Total equity		473	(322)	6,041

Statement of changes in equity

	Share Capital £000	*Share Premium £000*	*Retained Earnings £000*	*Total £000*
Balance at 27 May 2012	432	1,935	(2,262)	105
Profit or loss	–	–	(861)	(861)
Valuation of employee services	–	–	69	69
Issue of shares	7	1,153	–	1,160
Balance at 27 May 2013	439	3,088	(3,054)	473
Profit or loss	–	–	(884)	(884)
Valuation of employee services	–	–	89	89
Derivative financial instruments	–	–	228	228
Convertible option classified as a liability	–	–	(228)	(228)
Balance at 27 May 2014	439	3,088	(3,849)	(322)
Profit and loss	–	–	(2,938)	(2,938)
Valuation of employee services	–	–	20	20
Issue of shares for Cash	17	7,983	–	8,000
Issue of shares on Conversion of Loans	5	1,276	–	1,281
Reduction of Capital	(400)	–	400	–
Balance at 30 June 2015	61	12,347	(6,367)	6,041

Cash Flow Statement

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Cash flows from operating activities			
Loss for the period	(861)	(884)	(2,938)
Adjustments for:			
Depreciation, amortisation and impairment	6	6	7
Share-based payment	69	89	20
Financial income	(1)	(13)	(8)
Finance expenses	3	57	41
Taxation	(20)	(97)	(81)
Increase in trade and other receivables	(15)	(53)	(261)
Increase in trade and other payables	16	9	284
Cash flow from operating activities	(803)	(886)	(2,936)
Interest paid	(3)	(2)	(1)
Tax received	20	97	81
Net cash from operating activities	(786)	(791)	(2,856)
Cash flows from investing activities			
Additions of property, plant and equipment	(4)	–	(5)
Interest received	1	1	8
Net cash from investing activities	(3)	1	3
Cash flows from financing activities			
Proceeds from issue of share capital	1,160	–	8,000
Repayment of borrowings	(20)	(22)	(25)
Proceeds from issue of borrowings	–	1,200	–
Net cash generated by financing activities	1,140	1,178	7,975
Net increase in cash and cash equivalents	351	388	5,122
Cash and cash equivalents at the start of the period	212	563	951
Cash and cash equivalents at the end of the period	563	951	6,073

Notes
(forming part of the financial statements)

1. General information

Diurnal Limited is a company incorporated and domiciled in the UK.

It is engaged in the research and development of new methods and products to deliver therapeutics to humans.

2. Accounting policies

Adoption of international financial reporting standards ("IFRS") and statement of compliance with IFRS

The company's Historical Financial Information ("HFI") has been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Previously the company has applied United Kingdom Generally Accepted Accounting Principles as applied to smaller entities ("UK GAAP") in the preparation of its financial statements. The HFI for the three years ended 30 June 2015 is the first financial information prepared under IFRS and therefore include financial information for 2013, 2014 and 2015 that differs from the 2013, 2014 and 2015 financial statements previously reported as the 2015 financial statements will be signed pre-issuance of the HFI. The transition date for the company's adoption of IFRS is 28 May 2012.

The key changes for the company are:

- Recognition of share based payment expense
- Recognition of convertible loans with an embedded derivative liability
- Derecogition of cumulative preference dividends accrued

The net impact of these changes for each of the years affected have been detailed in note 27.

The comparative figures for the financial year ended 30 June 2015 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial year end of the Company was changed from 27 May to 30 June in the current year. Accordingly, the current financial information has been prepared for 13 months from 27 May 2014 to 30 June 2015 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information.

The financial information is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

The functional currency of Diurnal Limited is GBP. The financial information is presented in GBP and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The Company is planning to seek admission to AIM through an Initial Public Offering ("IPO").

The funds raised will be used to complete the development of the INFACORT® and CHRONOCORT® products, obtain market authorisation for INFACORT®, commence building the commercial capability in Europe and pay the IPO expenses.

The financial information has been prepared for the purposes of the AIM admission document in accordance with the AIM Rules for Companies and in accordance with this basis of preparation, including the significant accounting policies set out below.

The restructuring steps include creating a new holding company which will acquire Diurnal Limited in a share by share exchange with Diurnal Limited's shareholders.

Going concern

This financial information has been prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

The company is engaged in the commercialisation of intellectual property and is currently in the research stage of its activities. As is usual in the industry, research projects must meet specific targets in order to demonstrate ongoing commercial viability and negotiate successfully for additional funding.

As at 30 June 2015 the company had cash resources of £6,073,000 which will enable the company to advance European Phase III trial for the lead product Chronocort® in addition to progressing other pipeline programmes.

The directors have prepared a cash flow forecast for a period that exceeds 12 months from the date of authorisation of this financial information which supports the company's ability to continue as a going concern into the foreseeable future.

Foreign currency

Transactions in foreign currencies are translated to Diurnal Limited's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Classification of financial instruments issued by Diurnal Limited

Following the adoption of IAS 32, financial instruments issued by Diurnal Limited are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market (for example Diurnal Limited's embedded derivative) is determined by using valuation techniques. Diurnal Limited has used a binomial model and makes assumptions that are based on market conditions existing at each statement of financial position date. These comprise level 2 financial instruments.

Intangible assets

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised as an intangible asset only if the following conditions are met

Development expenditure is capitalised as an intangible asset only if the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- it meets the company's criteria for technical and commercial feasibility; and
- sufficient resources are available to meet the development to either sell or use as an asset

Diurnal Limited's activities are still considered to be in the research phase and therefore all related expenditure has been recognised as an expense in the income statement. As there has been no expenditure on development activities, there has been no capitalisation of research and development costs.

Expenditure in relation to patents registration and renewal of current patents are capitalised and recorded as intangible assets. Registration costs are continually incurred as the group registers these patents in different countries. Intangible assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the patents. Patent assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and licences	10 years

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Cost comprises the purchase price plus any incidental costs of acquisition and commissioning. Depreciation is calculated to write-off the cost, less residual value, in equal annual instalments over their estimated useful lives as follows:

Equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Expenses

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. UK R&D Tax Credits that are payable to the company are recognised on a cash received basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Share-based payments

In accordance with IFRS 2 'Share-based Payment', share options are measured at fair value at their grant date. The fair value for the majority of the options is calculated using the Black-Scholes formula and charged to the Income Statement on a straight-line basis over the expected vesting period. At each year end date, the Company revises its estimate of the number of options that are expected to become exercisable. This estimate is not revised according to estimates of changes in market based conditions.

Operating Income

Grant income is in relation to government grants and is recognised when there is reasonable assurance that the physical payment will be received and the attached conditions have been complied with. When the grant relates to an expense item, it is recognised as other operating income on a systematic basis over the time periods that the costs, which it is intended to compensate, are expensed.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Capitalisation of development costs

Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will only be made where there is evidence that an economic benefit will flow to the company. To date no development costs have been capitalised and all costs have been expenses to the income statement as research and development expenditure.

Deferred tax assets

Estimates of future profitability are required for the decision whether or not to create a deferred tax asset. To date no deferred tax assets have been recognised.

4. New standards and interpretations

The following new standard was effective from the period beginning 28 May 2014:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the group has included the fair value measurement policy in Note 2 above.

The following standards and interpretations have an effective date after the date of this financial information. The Group has not early adopted them and plans to adopt them from the effective dates. Their adoption is not anticipated to have a material effect on the financial statements.

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
IAS 1	Disclosure initiative	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
AIP IFRS 7	Applicability of the offsetting disclosures to condensed interim financial statements	1 January 2016
AIP IAS 19	Discount rate: Regional market issue	1 January 2016
AIP IAS 34	Disclosure of information 'elsewhere in the interim financial report'	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

5. Segmental reporting

The Board regularly reviews the Company's performance and balance sheet position for its operations and receives financial information for the group as a whole. As a consequence the Group has one reportable segment, which is Clinical Development. Segmental profit is measured at operating loss level, as shown on the face of the Income Statement. As there is only one reportable segment whose losses, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the financial statements, no additional numerical disclosures are necessary.

6. Expenses and auditor's remuneration

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Loss for the period has been arrived at after charging:			
Audit of the UK GAAP financial statements	2	3	3
Depreciation	2	2	3
Amortisation	4	4	4
R&D expensed	904	1,214	1,570
	912	1,223	1,580

7. Staff numbers and costs

The average number of employees of the Company, including Executive Directors, during the year was:

	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
Research & Development	1	2	4
Administration	–	–	1
	1	2	5

Their aggregate remuneration comprised:

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Wages and Salaries	62	106	328
Share Based Payments	69	89	20
	131	195	348

8. Directors emoluments

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Amounts paid to third parties in respect of directors' services	18	22	28
Amount paid to executive directors in respect of qualifying services	–	–	145
	18	22	173

9. Finance income

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Bank interest receivable	1	1	8
Total fair value gains on derivative financial liabilities	–	12	–
Total finance income	1	13	8

10. Finance expenses

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Finance expense			
Total interest payable on loans	3	2	1
Total interest expenses on financial liabilities measured at amortised cost	–	55	34
Total fair value losses on derivative financial liabilities	–	–	6
Total finance expense	3	57	41

11. Loss per share

	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
Loss for the period (£)	(861,446)	(884,367)	(2,937,685)
Weighted average number of shares	36,151	36,759	53,546
Basic and diluted loss per share (pence per share)	(2,382.91)	(2,405.85)	(5,486.28)

The diluted loss per share is identical to the basic loss per share in all periods, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

12. Taxation

Recognised in the income statement:

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Current tax			
– current year	(35)	(97)	(81)
– adjustments for prior periods	15	–	–
Tax credit charge for the period	(20)	(97)	(81)

The tax credit assessed for the period relates entirely to R&D tax credit relief.

Reconciliation of total tax expense:

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Loss before tax	(881)	(981)	(3,019)
Tax using the UK corporation tax rate of 20%	(176)	(196)	(604)
Research and development tax credit	(20)	(154)	(81)
Non-deductible expenses	5	2	41
Current year losses for which no deferred tax asset was recognised	156	251	563
Adjustment for prior periods	15	–	–
Tax credit for the period	(20)	(97)	(81)

The company has approximately £5,300,000 of trading losses carried forward at 30 June 2015 for which no deferred tax asset has been recognised due to the uncertainty of available of future taxable profits.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Subsequently a reduction from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions from 20% to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015.

13. Intangible assets

	Patents and licences £000	*Total £000*
Cost		
Balance at 28 May 2012	39	39
Additions	–	–
Balance at 27 May 2013	39	39
Additions	–	–
Balance at 27 May 2014	39	39
Additions	–	–
Balance 30 June 2015	39	39
Amortisation		
Balance at 28 May 2012	17	17
Charge for the year	4	4
Balance at 27 May 2013	21	21
Charge for the period	4	4
Balance at 27 May 2014	25	25
Charge for the period	4	4
Balance at 30 June 2015	29	29
Net book value		
At 27 May 2013	18	18
At 27 May 2014	14	14
At 30 June 2015	10	10

14. Property, plant and equipment

	Equipment £000	*Total £000*
Cost		
Balance at 28 May 2012	5	5
Additions	4	4
Balance at 27 May 2013	9	9
Additions	–	–
Balance at 27 May 2014	9	9
Additions	5	5
Balance 30 June 2015	14	14
Depreciation		
Balance at 28 May 2012	2	2
Charge for the year	2	2
Balance at 27 May 2013	4	4
Charge for the period	2	2
Balance at 27 May 2014	6	6
Charge for the period	3	3
Balance at 30 June 2015	9	9
Net book value		
At 27 May 2013	5	5
At 27 May 2014	3	3
At 30 June 2015	5	5

15. Trade and other receivables

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
VAT recoverable	35	31	48
Prepayments	27	84	77
Other debtors	–	–	251
	62	115	376

All amounts due as shown above are short-term.

16. Cash and cash equivalents

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Cash at bank and on hand	563	951	6,073

17. Other interest-bearing loans and borrowings

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Non-current interest-bearing loans and borrowings			
Convertible Loans	–	1,015	–
Other non-current loans	46	24	–
	46	1,039	–
Current interest-bearing loans and borrowings	24	24	24
Total interest-bearing loans and borrowings	70	1,063	24

Diurnal Limited held convertible loans with two of its shareholders for a total amount of £200,000 bearing interest at a fixed rate of 10% per annum.

Diurnal Limited had also issued unsecured loan notes to six of its shareholders in April 2014 for a total amount of £999,999, bearing interest at a fixed rate of 15% per annum.

Each loan and loan note offered the holder the option to convert the loan into fully paid up shares in the future which was exercised on the 1 August 2014. The loans and note were accounted for as compound financial instruments and disclosed accordingly. Refer to note 20 for the measurement and disclosure of the option feature on the convertible loan.

18. Trade and other payables

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Trade payables	75	85	274
Other tax and social security	6	5	26
Accrued expenses and deferred income	24	24	99
	105	114	399

19. Derivative financial instruments

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Option on Convertible Loan	–	228	–

The convertible loans and loan notes as referred in note 17 have two components of value – a conventional host liability and a call on the equity of the Company through conversion. The terms of the loans and loan notes result in Diurnal Limited issuing a variable number of its own equity instruments as a means to settle the agreement and such the call on equity is classified as an embedded derivative.

The fair value of the embedded derivative contained in each of Diurnal Limited's Convertible Loans has been calculated using the binomial model. The inputs and assumptions used in the model include the price of the stock, the strike price of the convertible option, the volatility of the stock's returns and the annualized risk-free interest rate, continuously compounded.

On 1 August 2014 existing shareholder loans and loans notes together with interest accrued on the host liability and fair value gains and losses accrued on the convertible options thereon totalling £1,281,299 were converted into 5,335 Ordinary Shares. The remaining balance was transferred to share premium.

20. Capital and reserves

Ordinary Shares

	Ordinary shares of £1 each		
	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
On issue at start of period	29,467	36,759	36,759
Issued for cash	7,292	–	16,910
Issued on conversion of preference shares plus accrued interest	–	–	1,531
Issued on conversion of loan notes plus accrued interest	–	–	5,335
On issue at period end fully paid	36,759	36,759	60,535
The following shares were issued in the financial periods			
Ordinary shares (number)	7,292	–	23,776

"B" Ordinary Shares

The holder of "B" ordinary shares shall not be entitled to receive notice of, or to attend and vote at, any general meeting of the company or on any written resolution. Any B shareholder may at any time, unless to do so would give rise to a position of control, convert all or part of the B shares held by the Shareholder into the same number of fully paid Conversion Ordinary shares by notice in writing given to the Company. The Conversion Ordinary Shares shall rank *pari passu* in all respects with the Ordinary Shares of the Company.

	"B" Ordinary shares of £0.01 each		
	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
On issue at start of period	–	–	–
Issued for cash	–	–	8,679
On issue at period end fully paid	–	–	8,679
The following shares were issued in the financial periods			
"B" Ordinary shares (number)	–	–	8,679

Preference Shares

Preference Shareholders shall be entitled to a fixed cumulative preferential dividend of 6% per annum. Such dividend shall be paid in cash on any preference shares that are redeemed.

The Company has the right to redeem the Preference Shares at any time or to convert all the Preference Shares into the same number of fully paid Ordinary Shares. The Preference Shareholders do not have any rights to redeem the Preference Shares. As a result the Preference Shares have been recorded as Equity and as the Company had no obligation to pay the 6% dividend at 27 May 2013, 27 May, 2014 or 30 June 2015 no dividend has been accrued.

No preference shares were issued in any of the periods ended 27 May 2013, 27 May, 2014 or 30 June 2015. The number of preference Shares in issue at the end of each period is shown below.

On 1 August 2014 the 402,053 preference shares were redesignated into 1,531 ordinary shares of £1 each and 400,522 deferred shares of £1 each. On 30 March 2015, the 400,522 deferred shares of £1 each were cancelled to create a distributable reserve.

	6% cumulative redeemable preference shares		
	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
On issue at period end fully paid	402,053	402,053	–

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Allotted, called up and fully paid			
Ordinary shares of £1 each	37	37	61
"B" ordinary shares of £0.01 each	–	–	–
6% cumulative redeemable preference shares of £1 each	402	402	–
	439	439	61

21. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk. This note address each of these matters in turn, and also gives details of financial assets and liabilities with a carrying value that is materially different to their fair value and the company's capital management objectives.

Capital Management

The Company considers capital to comprise the total equity and reserves of the Company and long term debt financing, including convertible loans issued. The Company's objectives are to manage capital as a primary source of funding in conjunction with the ability to remain as a going concern.

Treasury Policy

The Company has financed its operations by a mixture of shareholders' funds and other borrowings and loan notes, as required. The Company's objective has been to obtain sufficient funding to meet development activities until the Company becomes profitable. During 2015 and for the foreseeable future the Company's objective in using financial instruments is to safeguard the principal for funds held on deposit and to minimise currency risk where appropriate.

Interest Rate Risk

The Company has outstanding fixed-rate loan notes at 30 June 2015 with a principal of £nil (27 May 14: £1.2 million; 27 May 2013: nil) and invests its surplus funds in money market and short-term bank deposits. The Company would review the balance between fixed and floating rate debt if it takes on any future debt.

Liquidity Risk

The Company prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Company, to manage liquidity risk. The Company also ensures that sufficient funds are available on 24 hours' notice to fund the Company's immediate needs (see Note 1—Basis of Preparation).

The company finances its operations through the issue of equity shares. The company manages its liquidity risk by monitoring existing and committed funding against forecast requirements (with particular reference to non-discretionary expenditure). The following are the contractual maturities of financial liabilities, including estimated interest payments.

	27 May 2013					
	Carrying amount £000	*Contractual cash flows £000*	*1 year or less £000*	*1 to 2 years £000*	*2 to 5 years £000*	*> 5years £000*
Trade payables	75	75	75	–	–	–
Borrowings	70	54	24	24	6	–
	145	129	99	24	6	–

	27 May 2014					
	Carrying amount £000	*Contractual cash flows £000*	*1 year or less £000*	*1 to 2 years £000*	*2 to 5 years £000*	*> 5years £000*
Trade payables	85	85	85	–	–	–
Borrowings	1,063	1,821	24	24	1,773	–
	1,148	1,906	109	24	1,773	–

	30 June 2015					
	Carrying amount £000	*Contractual cash flows £000*	*1 year or less £000*	*1 to 2 years £000*	*2 to 5 years £000*	*> 5years £000*
Trade payables	274	274	274	–	–	–
Borrowings	24	24	24	–	–	–
	298	298	298	–	–	–

Currency Risk

The company manages foreign currency exposure by matching expected currency outflows with inflows of the same currency to the extent possible. The company would consider hedging instruments if there was considered to be a significant mismatch but this has not proven necessary to date.

The following table considers the impact of several changes to the spot £/euro and US Dollar exchange rates of +/– 1%, assuming all other variables remain constant. If these changes were to occur the tables below reflect the impact on loss before tax.

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
1% increase in Euro	–	–	(5)
1% decrease in Euro	–	–	5
1% increase in US Dollar	(2)	(1)	(2)
1% increase in US Dollar	2	1	2

Credit Risk

The Company is exposed to credit risk from one source, namely its cash investments. The Company minimizes this risk by placing its cash deposits only with established financial institutions with a minimum credit rating of A- as defined by the three major credit rating agencies.

Interest Rate Risk of Financial Assets

Cash and cash equivalents

	Year ended 27 May 2013	*Year ended 27 May 2014*	*13 month period ended 30 June 2015*
Floating rate – GBP	0.13%	0.13%	0.15%
Floating rate – EUR	0.05%	0.05%	0.05%

Fair values

The carrying values of cash and cash equivalents, accounts receivable and accounts payable reasonably approximate their fair values. Derivate Financial Instruments are classified as level 2 financial instruments.

22. Capital commitments

The company had no material capital commitments at the end of the financial periods.

23. Related party transactions

Diurnal Limited trades with Silenicus Limited a company in which Dr Bryett is a director thus related by virtue of its linked key management personnel as well as Fusion IP Sheffield, Finance Wales Investments Limited, Ridings Early Growth Limited, Sarum Investment SICA Plc and Simm Investments Limited, all shareholders in the company.

During the period Diurnal Limited's trading with the parties mentioned above constituted:

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Purchase of goods and services			
Silenicus Limited	20	24	26
Fusion IP Sheffield Limited/IP Group plc	38	39	158
Finance Wales Investments Limited	23	24	83
Ridings Early Growth Limited,	4	4	4
Sarum Investment SICAV Plc	18	18	3
Simm Investments Limited	12	12	–
	115	121	274

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Amounts owed to related parties			
Silenicus Limited	2	2	–
Fusion IP Sheffield Limited/IP Group plc	–	–	40
Finance Wales Investments Limited	2	2	2
Ridings Early Growth Limited,	–	–	–
Sarum Investment SICAV Plc	2	2	–
Simm Investments Limited	–	–	–
	6	6	42

Purchase of goods and services from related parties comprise management services and monitoring. These were made at arm's length and on normal commercial trading terms.

The amounts outstanding are unsecured and will be settled in cash within a 30 day credit period.

Compensation of key management personnel of the Group

	Year ended 27 May 2013 £000	*Year ended 27 May 2014 £000*	*13 month period ended 30 June 2015 £000*
Short term employee benefits	18	22	173
Share-based payment transactions	25	32	7

24. Subsequent events

In September 2015 the Company initiated an IPO process to raise funding for the continued development of its business.

25. Ultimate controlling party

The company's has no single controlling shareholder.

26. Share based payments

The company has issued unapproved options to subscribe for ordinary shares of £1 in the company. The purpose of the option schemes is to retain and motivate eligible employees. The exercise price and number of shares to which the options relate are as follows:

Share Price at grant date	*Balance as at 28 May 2012*	*Granted in 2013*	*Balance as at 30 June 2015*	*Grant Date*	*Option & Expected Life (years)*	*Risk Free Rate of Return*	*Volatility*	*Vesting Conditions*
£1.00	200	–	200	30/11/2007	10	4.59%	71%	See note below on vesting
£111.76	1,813	–	1,813	01/07/2008	10	5.13%	62%	
£109.54	210	–	210	01/12/2008	10	3.88%	64%	
£109.54	300	–	300	17/02/2010	10	4.21%	58%	
£100.25	150	–	150	20/07/2011	10	3.35%	53%	
£159.10	–	1,114	1,114	22/08/2012	10	1.78%	53%	
	2,673	1,114	3,787					

The fair value of the equity settled share options granted is estimated as at the date of grant using a Black scholes option pricing model taking into account the terms and conditions upon which the options were granted. The volatility has been estimated by reference to comparable listed companies and the dividend yield has been assumed to be 0% for all options.

The company charged £20,000 to the Statement of Comprehensive Income in respect of Share-Based Payments for the financial year ended 30 June 2015 (2014 £89,000; 2013: £69,000).

The total number of share options exercisable at 30 June 2015 was 3,787 (2014 and 2013: 2,673).

No share options were exercised or lapsed during 2013, 2014 or 2015.

Vesting

Share option either vest on completion of services with company for a period of time or achievement of performance targets which include the successful completion of the various phases of clinical trials.

27. Reconciliation of 2013, 2014 and financial information to previously reported information

The company has prepared its financial information under International Financial Reporting Standards ("**IFRS**"). Previously the company has applied United Kingdom Generally Accepted Accounting Principles as applied to smaller entities ("**UK GAAP**") in the preparation of its financial statements. The net impact of

these changes for the years ended 27 May 2013 and 27 May 2014 and the statement of financial position as at those dates, are as follows:

IFRS Adjustments

IFRS 2 Recognition of share based payment expense

Under UK GAAP, the company applied the exemption to recognising share based payment expenses. IFRS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. An expense of £69,000 has been recognised in profit or loss for the year ended 27 May 2013, £89,000 for the year ended 27 May 2014 and £20,000 for the year ended 30 June 2015. A corresponding increase in equity was recorded for each of the years mentioned resulting in an overall nil impact on retained earnings.

IAS 32 Convertible Loans/Loan Notes

Under UK GAAP, the company accounted for convertible loans/loan notes at their face value plus accrued interest. IFRS requires that a convertible instrument is dealt with by an issuer as having two 'components', being a liability host contract plus a separate conversion feature which may qualify for classification as an equity or derivative liability. Diurnal Limited's conversion feature qualified as a derivative liability. Each component was measured separately. Interest on the convertible loans/loan notes, recognised under UK GAAP of £29,000 (2014: £41,000) was reversed and interest on the host liability was recognised in profit and loss £31,000 (2014: £55,000). Fair value gains of £12,000 was recognised on the conversion feature for the year ended 27 May 2014 and fair value losses of £6,000 was recognised on the conversion feature for the year ended 30 June 2015.

On 1 August 2014 existing shareholder loans and loans notes together with interest accrued on the host liability and fair value gains and losses accrued on the convertible options thereon totalling £1,281,299 were converted into 5,335 Ordinary Shares.

IAS 39 Preference Share Dividends

Under UK GAAP, the company accrued for the cumulative preference dividends in the amount of £24,000 as at 27 May 2012, of £24,000 as at 27 May 2013 and £24,000 as at 27 May 2014. IFRS requires the dividends to be accrued for upon the occurrence of an obligating event. The dividends accrued for were subsequently reversed and recognised in the year ended 30 June 2015 when the preference shares were converted into ordinary shares i.e. the obligating event had occurred.

Statement of Financial Position as at 28 May 2012

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Non-current assets					
Intangible assets	22	–	–	–	22
Property, plant and equipment	3	–	–	–	3
	25	–	–	–	25
Current assets					
Trade and other receivables	46	–	–	–	46
Cash and cash equivalents	212	–	–	–	212
	258	–	–	–	258
Total assets	283	–	–	–	283
Current liabilities					
Interest bearing loans and borrowings	(24)	–	–	–	(24)
Trade and other payables	(88)	–	–	–	(88)
	(112)	–	–	–	(112)
Non-current liabilities					
Interest bearing loans and borrowings	(90)	–	–	24	(66)
Derivative financial instruments	–	–	–	–	–
	(90)	–	–	24	(66)
Total assets/(liabilities)	(202)	–	–	24	(178)
Net assets	81	–	–	24	105
Equity					
Share capital	432	–	–	–	432
Share premium	1,935	–	–	–	1,935
Retained earnings	(2,286)	–	–	24	(2,262)
Total equity	81	–	–	24	105

Statement of comprehensive income for the year ended 27 May 2013

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Research and development expenditure	(904)				(904)
Administrative expenses	(242)	(69)	–	–	(311)
Other operating income	336	–	–	–	336
Operating loss	(810)	(69)	–	–	(879)
Financial income	1	–	–	–	1
Financial expense	(3)	–	–	–	(3)
Loss before tax	(812)	(69)	–	–	(881)
Taxation	20	–	–	–	20
Loss for the period	(792)	(69)	–	–	(861)

Statement of Financial Position as at 27 May 2013

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Non-current assets					
Intangible assets	18	–	–	–	18
Property, plant and equipment	5	–	–	–	5
	23	–	–	–	23
Current assets					
Trade and other receivables	62	–	–	–	62
Cash and cash equivalents	563	–	–	–	563
	625	–	–	–	625
Total assets	648	–	–	–	648
Current liabilities					
Interest bearing loans and borrowings	(24)	–	–	–	(24)
Trade and other payables	(105)	–	–	–	(105)
	(129)	–	–	–	(129)
Non-current liabilities					
Interest bearing loans and borrowings	(94)	–	–	48	(46)
Derivative financial instruments	–	–	–	–	–
	(94)	–	–	48	(46)
Total liabilities	(223)	–	–	48	(175)
Net assets	425	–	–	48	473
Equity					
Share capital	439	–	–	–	439
Share premium	3,088	–	–	–	3,088
Retained earnings	(3,102)	–	–	48	(3,054)
Total equity	425	–	–	48	473

Statement of comprehensive income for the year ended 27 May 2014

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Research and development expenditure	(1,214)	–	–	–	(1,214)
Administrative expenses	(295)	(89)	–	–	(384)
Other operating income	661	–		–	661
Operating loss	(848)	(89)	–	–	(937)
Financial income	1	–	12	–	13
Financial expense	(44)	–	(13)	–	(57)
Loss before tax	(891)	(89)	(1)	–	(981)
Taxation	97	–	–	–	97
Loss for the period	(794)	(89)	(1)	–	(884)

Statement of Financial Position as at 27 May 2014

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Non-current assets					
Intangible assets	14	–	–	–	14
Property, plant and equipment	3	–	–	–	3
	17	–	–	–	17
Current assets					
Trade and other receivables	115	–	–	–	115
Cash and cash equivalents	951	–	–	–	951
	1,066	–	–	–	1,066
Total assets	1,083	–	–	–	1,083
Current liabilities					
Interest bearing loans and borrowings	(24)	–	–	–	(24)
Trade and other payables	(114)	–	–	–	(114)
	(138)	–	–	–	(138)
Non-current liabilities					
Interest bearing loans and borrowings	(1,338)	–	227	72	(1,039)
Derivative financial instruments	–	–	(228)	–	(228)
	(1,338)	–	(1)	72	(1,267)
Total liabilities	(1,476)	–	(1)	72	(1,405)
Net assets/(liabilities)	(393)	–	(1)	72	(322)
Equity					
Share capital	439	–	–	–	439
Share premium	3,088	–	–	–	3,088
Retained earnings	(3,920)	–	(1)	72	(3,849)
Total equity	(393)	–	(1)	72	(322)

Statement of comprehensive income for the year ended 30 June 2015

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Research and development expenditure	(1,570)	–	–	–	(1,570)
Administrative expenses	(1,637)	(20)	–	–	(1,657)
Other operating income	241	–		–	241
Operating loss	(2,966)	(20)	–	–	(2,986)
Financial income	8	–	–	–	8
Financial expense	(35)	–	(6)	–	(41)
Loss before tax	(2,993)	(20)	(6)	–	(3,019)
Taxation	81	–	–	–	81
Loss for the period	(2,912)	(20)	(6)	–	(2,938)

Statement of Financial Position as at 30 June 2015

	UK GAAP in IFRS format £000	*IFRS 2 recognition of share based payment expense £000*	*IAS 32 convertible loans/notes £000*	*IAS 39 preference share dividends £000*	*Under IFRS £000*
Non-current assets					
Intangible assets	10	–	–	–	10
Property, plant and equipment	5	–	–	–	5
	15	–	–	–	15
Current assets					
Trade and other receivables	376	–	–	–	376
Cash and cash equivalents	6,073	–	–	–	6,073
	6,449	–	–	–	6,449
Total assets	6,464	–	–	–	6,464
Current liabilities					
Interest bearing loans and borrowings	(24)	–	–	–	(24)
Trade and other payables	(399)	–	–	–	(399)
	(423)	–	–	–	(423)
Non-current liabilities					
Interest bearing loans and borrowings	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–
	–	–	–	–	–
Total liabilities	(423)	–	–	–	(423)
Net liabilities	6,041	–	–	–	6,041
Equity					
Share capital	61	–	–	–	61
Share premium	12,412	–	11	(76)	12,347
Retained earnings	(6,432)	–	(11)	76	(6,367)
Total equity	6,041	–	–	–	6,041

PART 6

TERMS AND CONDITIONS OF THE PLACING

1. Introduction

1.1 Each Placee which confirms its agreement to Numis to subscribe for Placing Shares under the Placing hereby agrees with Numis to be bound by these terms and conditions and will be deemed to have irrevocably accepted them.

1.2 The Company and/or Numis may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit.

1.3 Upon being notified of the Placing Price and its allocation of Placing Shares in the Placing, each Placee shall be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

2. Agreement to Purchase Placing Shares

2.1 Conditional on: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 24 December 2015 (or such later time and/or date, not being later than 8.00 a.m. on 31 March 2016, as the Company and Numis may agree); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before Admission; and (iii) Numis confirming to the Placees their allocation of Placing Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Placing Shares allocated to it by Numis at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

2.2 Numis reserves the right, in its sole and absolute discretion, to scale back applications in such amounts as it considers appropriate. Numis also reserves the right to decline, in whole or in part, any application for Placing Shares pursuant to the Placing. Accordingly, applicants for Placing Shares may, in certain circumstances, not be allotted and/or sold the number of Placing Shares for which they have applied.

2.3 The balance of subscription monies in the event of scaling back (or unsuccessful applications) will be posted to applicants by cheque (or, in the case of payment by electronic transfer, transferred to the bank from which payment was made), without interest, at the applicant's own risk.

3. Payment for Placing Shares

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

4. Representations and Warranties

By agreeing to subscribe for Placing Shares, each Placee will (for itself and for any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to undertake, represent and warrant to each of the Company, the Registrar and Numis that:

(a) in agreeing to subscribe for Placing Shares under the Placing, it is relying solely on this document and any supplementary admission document issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Group, the Placing Shares or the Placing. It agrees that none of the Company, Numis or the Registrar, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation and has not made any such representation, whether express or implied. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;

(b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Placing Shares under the Placing, it undertakes, represents and warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, Numis or the Registrar or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;

(c) its subscription for Placing Shares and payment therefor will comply with, and not violate, any agreement to which it is bound or which relates to any of its property or assets, is duly authorised and constitutes its valid and legally binding agreement and it has the funds available to it to pay the full amount of its subscription as and when due;

(d) it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Placing Shares on the terms, and subject to the conditions, set out in this Part 6 and the Articles as in force at the date of Admission. Such Placee agrees that these terms and conditions and the contract note issued by Numis to such Placee represent the whole and only agreement between the Placee, Numis and the Company in relation to the Placee's participation in the Placing and supersede any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Placee agrees that none of the Company, Numis nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;

(e) it has not relied on Numis, or any of its directors, officers, agents, members, partners, employees or affiliates, in connection with any investigation of the accuracy of any information contained in this document;

(f) it acknowledges that the content of this document is exclusively the responsibility of the Company and its Directors and neither Numis, nor any person acting on its behalf, nor any of their respective directors, officers, agents, members, partners, employees or affiliates, are responsible for, nor shall have any liability for, any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in this document or otherwise;

(g) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by Numis, the Company or the Registrar;

(h) it is not applying as, nor is it applying as nominee or agent for, a person who is, or may be, liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;

(i) it accepts that none of the Placing Shares have been, or will be, registered under the laws of any Restricted Jurisdiction. Accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, in or into or within any Restricted Jurisdiction unless an exemption from any registration requirement is available;

(j) if it is within the United Kingdom, it is a person who falls within Articles 49(2) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom the Placing Shares may otherwise lawfully be offered under such Order, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations and in all cases capable of being categorised as a person who is a "professional client" or an "eligible counterparty" within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook;

(k) if it is a resident in any EEA State (including the United Kingdom), it is a qualified investor within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;

(l) in the case of any Placing Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive; (i) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Numis has been given to the offer or resale; or (ii) where Placing Shares have been acquired by it on behalf of persons in any relevant EEA State other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;

(m) if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;

(n) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person and it has complied with, and will comply with, all applicable provisions of FSMA with respect to anything done by the Placee in relation to the Placing in, from or otherwise involving the UK;

(o) if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Placing Shares under the Placing and will not be any such person on the date any such Placing is accepted;

(p) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Placing or the Placing Shares to any persons within the United States or any person with an address in an Restricted Jurisdiction, nor will it do any of the foregoing;

(q) it will not procure the acquisition of any part of its Placing Shares under the Placing by, or for the account of, any person with an address in any Restricted Jurisdiction, it will not offer any Placing Shares to any such person and will not otherwise treat any Placing Shares in any manner that would contravene any applicable securities legislation in any Restricted Jurisdiction or any other securities legislation and its subscription for Placing Shares under the Placing will not contravene in any respect such legislation;

(r) it acknowledges that neither Numis nor any of its directors, officers, agents, members, partners, employees or affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of Numis and that Numis does not have any duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertaking or indemnities otherwise required to be given by it in connection with its application under the Placing;

(s) that, save in the event of fraud on the part of Numis, none of Numis, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Numis's role as nominated adviser and broker, financial adviser and sole bookrunner or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law, the Placee and, if relevant, its clients, will, to the fullest extent permitted by law, immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;

(t) it acknowledges that where it is subscribing for Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Placing Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Numis (on behalf of the Company). It agrees that the provisions of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;

(u) it irrevocably appoints any Director of the Company and any director, duly authorised officer or employee of Numis to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Placing Shares for which it has given a commitment under the Placing, including the registration thereof, in the event of its own failure to do so;

(v) it accepts that if the Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Placing Shares for which a valid application is received and accepted are not admitted to trading on AIM for any reason whatsoever, then none of Numis or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

(w) in connection with its participation in the Placing, it has obtained all governmental and other consents which may be required in connection its subscription for Placing Shares under the Placing and it has complied with, and will comply with, all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 (the "**Money Laundering Directive**") on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises

regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;

(x) it acknowledges that due to anti-money laundering and countering of terrorist financing requirements, Numis, the Company and the Registrar may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Numis, the Company and the Registrar may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify Numis, the Company and the Registrar against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;

(y) that they are aware of, have complied with and will at all times comply with their obligations in connection with money laundering under the Proceeds of Crime Act 2002 and the Terrorism Act 2000 and any other applicable law;

(z) it acknowledges and agrees that information provided by it to the Company or the Registrar will be stored on the Registrar's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the "**Data Protection Law**") and other relevant data protection legislation which may be applicable, the Registrar is required to specify the purposes for which it will hold personal data. The Registrar will only use such information for the purposes set out below (collectively, the "**Purposes**"), being to:

(i) process its personal data (including sensitive personal data) as required by or in connection with its holding of Placing Shares, including processing personal data in connection with credit and money laundering checks on it;

(ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Placing Shares;

(iii) provide personal data to such third parties as the Registrar may consider necessary in connection with its affairs and generally in connection with its holding of Placing Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area; and

(iv) without limitation, provide such personal data to the Company, Numis and their respective associates for processing, notwithstanding that any such party may be outside the United Kingdom or the European Economic Area;

(aa) in providing the Registrar with information, it hereby represents and warrants to the Registrar that it has obtained the consent of any data subjects to the Registrar and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes). For the purposes of this document, "**data subject**", "**personal data**" and "**sensitive personal data**" shall have the meanings attributed to them in the Data Protection Law;

(bb) Numis and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to any Placee and shall have no liability to any Placee whatsoever in connection with any decision to exercise or not to exercise or to waive any such right and each Placee agrees that it shall have no rights against Numis or its directors or employees under the Placing Agreement;

(cc) the representations, undertakings and warranties contained in this document are irrevocable;

(dd) it acknowledges that Numis and the Company and their respective affiliates and their respective directors, officers, agents, employees and advisers will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties

made, or deemed to have been made, by its subscription of the Placing Shares are no longer accurate, it shall promptly notify Numis and the Company;

(ee) where it, or any person acting on its behalf, is dealing with Numis, any money held in an account with Numis on its behalf (and/or any person acting on its behalf) will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Numis to segregate such money as that money will be held by Numis under a banking relationship and not as trustee;

(ff) any of its clients, whether or not identified to Numis, will remain its sole responsibility and will not become clients of Numis for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision and Numis will not be responsible to any Placee for providing the protections afforded to Numis' clients or providing advice in relation to the Placing and Numis will not have any duties or responsibilities to any Placee similar or comparable to "best execution" and "suitability" imposed by the Conduct of Business Sourcebook contained in the Rules of the FCA;

(gg) it accepts that the allocation of Placing Shares shall be determined by Numis and the Company in their absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine;

(hh) time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing;

(ii) it authorises Numis to deduct from the total amount subscribed under the Placing the aggregate commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Placing Shares allocated to it under that Placing;

(jj) it irrevocably appoints any director of Numis as its agent for the purposes of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares agreed to be taken up by it under the Placing and otherwise to do all acts, matters and things as may be necessary for, or incidental to, its acquisition of any Placing Shares in the event of its failure so to do; and

(kk) it will indemnify and hold the Company and Numis and their respective affiliates, officers and directors harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Part 6 and further agrees that the provisions of this Part 6 will survive after completion of the Placing.

5. United States Purchase and Transfer Restrictions

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

(a) it is not located within the United States, is acquiring the Placing Shares in an offshore transaction meeting the requirements of Regulation S and will not offer, sell or otherwise transfer any of the Placing Shares except in accordance with the US Securities Act and in compliance with any applicable securities laws of any state of the United States;

(b) it acknowledges that the Placing Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

(c) it is purchasing the Placing Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case, for investment only, and not with a

view to, or for sale or other transfer in connection with, any distribution of the Placing Shares in any manner that would violate the US Securities Act or any other applicable securities laws;

(d) it acknowledges that the Company reserves the right to make enquiries of any holder of the Placing Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Placing Shares or interests in accordance with the Articles;

(e) it is entitled to acquire the Placing Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Placing Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, Numis or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Placing;

(f) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Placing Shares to, or within, the United States or to any US Persons, nor will it do any of the foregoing; and

(g) if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

6. Supply and Disclosure of Information

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

7. Communications from the Company

The Placee hereby agrees that the Company may communicate with it: (i) in relation to the Placing in any manner permitted by the Articles (including, without limitation, any form of electronic communication or communication by means of a website); and (ii) if its application is accepted, by means of electronic form or website, in accordance with the Articles on an ongoing basis for the purposes of future communications to the Placee as a Shareholder until such time (if any) as the Placee revokes such agreement.

8. Miscellaneous

8.1 The Company, Numis and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

8.2 If any of the representations, warranties, acknowledgements or agreements made by the Placee are no longer accurate or have not been complied with, the Placee must immediately notify the Company.

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

8.4 On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided

in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

8.5 Each Placee agrees to be bound by the Articles once the Placing Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Placing Shares under the Placing and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Numis, the Company and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the grounds of venue or on the grounds that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against a Placee in any other jurisdiction.

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

8.7 Numis and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before Admission. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated in accordance with its terms. Further information in respect of the terms of the Placing Agreement is set out in paragraph 12.3 of Part 7 of this document.

PART 7

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names and functions are set out on page 20 and in Part 2 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and general

2.1 The Company was incorporated in England and Wales under the Act on 28 October 2015 with registered number 9846650 as a private company limited by shares with the name "Project Dime Limited". The Company was re-registered as a public limited company with the name "Diurnal Group plc" on 4 December 2015.

2.2 The Company is domiciled in the UK. The registered office and corporate headquarters of the Company is 1 Callaghan Square, Cardiff CF10 5BT and its telephone number is +44 (0)2920 682 069.

2.3 The Company's accounting reference date is 30 June. The Company's auditors are KPMG LLP who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

2.4 The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Act and the regulations made thereunder. The Company operates in conformity with its constitution.

2.5 The Company's website address, which contains the information required to be disclosed pursuant to AIM Rule 26, is www.diurnal.co.uk.

2.6 Upon adjudication of the application for stamp duty relief in connection with the Share-for-Share Exchange referred to in paragraph 2.8 below and entry of the name of the Company in the register of members of Diurnal Limited as the holder of the entire issued share capital of Diurnal Limited, the Company will be the ultimate holding company of the Group, and will have the following significant subsidiary undertaking, which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group:

Company name	*Place of incorporation*	*Percentage of issued share capital or interest and voting power*	*Principal activity*
Diurnal Limited	United Kingdom	100% by Diurnal Group plc	Development of endocrine products

2.7 The Reorganisation comprised the following steps (and includes the Share Capital Reorganisation):

2.7.1 The incorporation of the Company and, by written resolutions of the Company passed on 1 December 2015, *inter alia*, the subscriber share of £1.00 issued to the Company's subscriber, Richard Ross, was sub-divided into two Intermediate Ordinary Shares, as more particularly described at paragraph 3.2.1 below.

2.7.2 By written resolutions of Diurnal Limited passed on 1 December 2015, Diurnal Limited adopted new articles of association.

2.7.3 On 1 December 2015, the Share-for-Share Exchange was effected, as more particularly described at paragraph 2.8 below.

2.7.4 By written resolutions of the Company passed on 1 December 2015 in connection with its entry into the Share-for-Share Exchange Agreement and the Reorganisation, the Company adopted the Intermediate Articles (reflecting the same provisions, including as to the rights attaching to the Intermediate Ordinary Shares and the B Shares (save for their nominal values) as those contained in the new articles of association of Diurnal Limited adopted pursuant to the resolutions referred to at paragraph 2.7.2 above).

2.7.5 In connection with the entry into of the Share-for-Share Exchange Agreement, the Existing Investment Agreement was terminated pursuant to the entry into the Existing Investment Agreement Termination Deed and the Interim Investment Agreement was entered into in respect of the Company.

2.7.6 By written resolutions of the Company passed on 1 December 2015, the share capital of the Company was reduced (by way of a reduction in the nominal value of the Intermediate Ordinary Shares in issue), as more particularly described at paragraph 3.2.3 below, and the Intermediate Articles were replaced with a revised set of Intermediate Articles reflecting the change in nominal value of the Intermediate Ordinary Shares as a consequence of the reduction of capital.

2.7.7 By written resolutions of the Company passed on 3 December 2015:

2.7.7.1 the Company was re-registered as public limited company;

2.7.7.2 its name was changed to "Diurnal Group plc"; and

2.7.7.3 the Intermediate Articles were amended to reflect the change of the Company's name and its revised status as a public limited company.

In addition, as part of the Share Capital Reorganisation, the share capital of the Company will be further reorganised, as more particularly described at paragraph 3.3 below, in accordance with the authorities granted to the Directors pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, as more particularly described at paragraphs 3.4.3, 3.4.4 and 3.4.6 below. Such further Share Capital Reorganisation steps will become effective conditional upon and immediately prior to Admission simultaneously with the allotment and issue of the Further Placing Shares, as more particularly described at paragraph 3.3.5 below, in accordance with the authorities granted to the Directors pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, as more particularly described at paragraphs 3.4.7 and 3.4.8 below. Immediately following the passing of the resolutions of the Company passed at the general meeting of the Company held on 18 December 2015 (referred to above), the Interim Investment Agreement was conditionally terminated pursuant to the entry into of the Interim Investment Agreement Termination Deed, such termination to take effect conditional upon and with effect from Admission.

2.8 On 1 December 2015, in connection with the Reorganisation described above, the Company and Diurnal Limited shareholders (either personally or by duly appointed attorneys) entered into the Share-for-Share Exchange Agreement (described at paragraph 12.1.1 below) pursuant to which each of the Diurnal Limited shareholders agreed to sell their entire holdings of ordinary shares and/or B shares in the capital of Diurnal Limited in consideration for the issue to them, fully paid, of 500 Intermediate Ordinary Shares and/or 500 B Shares (as the case may be) for each ordinary share and/or B share in the capital of Diurnal Limited held by them in corresponding proportions to their holdings of the equivalent shares in Diurnal Limited.

As the Company's initial subscriber, Richard Ross' entitlement to Intermediate Ordinary Shares under the Share-for-Share Exchange Agreement was reduced by the two Intermediate Ordinary Shares already held by him immediately following the sub-division referred to at paragraph 2.7.1 above so as to ensure that his proportionate holding in the Company following the Share-for-Share Exchange would be the same as it was in Diurnal Limited immediately prior to the Share-for-Share Exchange.

Pursuant to the terms of the Share-for-Share Exchange Agreement, each of the shareholders in Diurnal Limited transferred beneficial ownership of their shares to the Company and appointed it as their attorney to exercise all of their voting rights in relation to Diurnal Limited. The Company is the beneficial owner only of the shares in Diurnal Limited until its application for stamp duty relief in connection with the Share-for-Share Exchange referred to below has been approved by HMRC and its name entered in the register of members of Diurnal Limited, at which time it will also become the holder of legal title to the entire issued share capital of Diurnal Limited.

An application has been made to HMRC for relief from stamp duty on the stock transfer forms relating to the transfer of the entire issued share capital of Diurnal Limited to the Company. Pending adjudication of such application for relief, the transfers of shares in Diurnal Limited cannot be so registered in its register of members. Whilst the Directors consider that such stamp duty relief will be available, in the event that it is not for any reason, the Company will pay the relevant amount of stamp duty so payable in order to be able to procure its registration as the holder of legal title to the entire issued share capital of Diurnal Limited pursuant to the Share-for-Share Exchange.

3. Share capital of the Company

3.1 As at 18 December 2015, being the latest practicable date prior to the date of this document, the issued and fully paid share capital of the Company was £3,243,725 divided into 30,267,500 Intermediate Ordinary Shares of £0.10 each and 4,339,500 B Shares of £0.05 each, reflecting the fact that the final steps in the Share Capital Reorganisation (to be effected pursuant to the authorities granted to the Directors which are described at paragraph 2.7 above and paragraph 3.3 and paragraphs 3.4.3, 3.4.4 and 3.4.6 below) have not been implemented as at the date of this document and will become effective conditional upon and immediately prior to Admission simultaneously with the allotment and issue of the Further Placing Shares pursuant to the authorities granted to the Directors described at paragraphs 3.4.7 and 3.4.8 below. The Company does not have any limit on its authorised share capital as it was incorporated under the Act (and not its predecessor acts) and the concept of authorised share capital does not exist under the Act. Immediately following Admission, the issued and fully paid share capital of the Company is expected to be £2,610,537.95 divided into 52,210,759 Ordinary Shares of £0.05 each. On Admission, Existing Shareholders who do not participate in the Placing will suffer an immediate dilution of 33.7 per cent. of their interests in the Company. In addition, assuming no changes in the issued share capital of the Company prior to such time, Existing Shareholders who remain shareholders at the time of such conversion will suffer dilution of 37.5 per cent. of their interests in the Company in the event that IP2IPO exercises in full its rights to convert the principal amount outstanding under the Convertible Loan (as of the date of this document) into Ordinary Shares in accordance with the terms, and subject to the conditions, set out in the Convertible Loan Agreement. There are express restrictions on IP2IPO's ability to exercise its conversion rights under the Convertible Loan Agreement and these are described in detail in paragraph 12.11 below.

3.2 The following alterations to the Company's share capital have taken place since incorporation:

3.2.1 By a Board resolution on 1 December 2015 and pursuant to written resolutions of the Company passed on 1 December 2015, the single subscriber share of £1.00 issued to Richard Ross as the Company's subscriber was sub-divided into two Intermediate Ordinary Shares of £0.50 each.

3.2.2 By a Board resolution on 1 December 2015 and in exercise of an authority granted to the Directors in accordance with section 551 of the Act to exercise all the powers of the Company to allot such shares pursuant to written resolutions of the Company passed on 1 December 2015, the Company's share capital was increased to 30,267,500 Intermediate Ordinary Shares and 4,339,500 B Shares by the allotment and issue of 30,267,498 Intermediate Ordinary Shares and 4,339,500 B Shares fully paid to the shareholders of Diurnal Limited in connection with the Share-for-Share Exchange effected pursuant to the Share-for-Share Exchange Agreement and the Reorganisation.

3.2.3 By a Board resolution on 1 December 2015 and written resolutions of the Company passed on 1 December 2015 in connection with the Share Capital Reorganisation, the issued share capital

of the Company was reduced from £15,350,725, divided into 30,267,500 Intermediate Ordinary Shares of £0.50 each and 4,339,500 B Shares, to £3,243,725, divided into 30,267,500 Intermediate Ordinary Shares of £0.10 each and 4,339,500 B Shares, by way of the reduction of the nominal value of the issued Intermediate Ordinary Shares of £0.50 each from £0.50 to £0.10.

3.3 The following alterations to the Company's share capital are expected to become effective conditional upon and immediately prior to Admission (save for that specified in paragraph 3.3.1 below which will become effective on 23 December 2015) simultaneously with each other pursuant to the authorities granted to the Directors pursuant to the resolutions described at paragraph 3.4 below:

3.3.1 By a Board resolution on 18 December 2015 and in exercise of an authority granted to the Directors in accordance with section 551 of the Act to exercise all the powers of the Company to allot such shares pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, the Company's share capital will be increased to 30,350,538 Intermediate Ordinary Shares and 4,339,500 B Shares by the allotment and issue of 83,038 Intermediate Ordinary Shares (representing the EIS Placing Shares) fully paid in connection with the Placing.

3.3.2 By a Board resolution on 18 December 2015 in accordance with the authorities granted to the Directors pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, all of the 30,350,538 Intermediate Ordinary Shares (including the EIS Placing Shares) then in issue will be sub-divided and reclassified into 30,350,538 Ordinary Shares and 30,350,538 Deferred Shares (with the Deferred Shares having the rights described at paragraph 5.16 of this Part 7).

3.3.3 By a Board resolution on 18 December 2015 in accordance with the authorities granted to the Directors pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015 and the holders of the B Shares having served a valid notice in accordance with the provisions of the Intermediate Articles to convert the B Shares into Conversion Ordinary Shares on the Company on 18 December 2015, the 4,339,500 B Shares then in issue will be converted into the same number of Conversion Ordinary Shares in accordance with the relevant provisions of the Intermediate Articles and the resulting 4,339,500 Conversion Ordinary Shares will be converted into and reclassified as 4,339,500 Ordinary Shares.

3.3.4 By a Board resolution on 18 December 2015 in accordance with the authorities granted to the Directors pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, the Company's share capital will be diminished by £1,517,526.90, in aggregate, representing the aggregate nominal value of the 30,350,538 Deferred Shares then in issue as a result of the transfer of such Deferred Shares to the Company for nil consideration and their subsequent cancellation.

3.3.5 By a Board resolution on 18 December 2015 and in exercise of an authority granted to the Directors in accordance with section 551 of the Act to exercise all the powers of the Company to allot such shares pursuant to the resolutions of the Company passed at a general meeting on 18 December 2015, the Company's share capital will be increased to 52,210,759 Ordinary Shares by the allotment and issue of 17,520,721 Further Placing Shares fully paid in connection with the Placing.

3.4 By resolutions of the Company passed at a general meeting of the Company held on 18 December 2015:

3.4.1 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot the EIS Placing Shares up to an aggregate nominal amount of £8,303.80, such shares to be issued on the business day immediately prior to the intended date of Admission, such authority to expire on the earlier of the Company's first annual general meeting or the date falling 15 months after Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer

or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.2 subject to and conditional upon the passing of the resolution set out in paragraph 3.4.1 above, the Directors were generally empowered (pursuant to section 570 of the Act) to allot the EIS Placing Shares for cash pursuant to the authority referred to in paragraph 3.4.1 above as if section 561 of the Act did not apply to any such allotment, such authority to expire on the earlier of the Company's first annual general meeting or the date falling 15 months after Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment and/or transfer of shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.3 all of the Intermediate Ordinary Shares (including the EIS Placing Shares) be sub-divided and reclassified into Ordinary Shares and Deferred Shares (with the Deferred Shares having the rights described at paragraph 5.16 of this Part 7), such sub-division and reclassification to take effect conditional upon and immediately prior to Admission;

3.4.4 subject to the holders of the B Shares having served a valid notice in accordance with the provisions of the Intermediate Articles to convert the B Shares into Conversion Ordinary Shares, the B Shares be converted into the corresponding number of Conversion Ordinary Shares in accordance with the relevant provisions of the Intermediate Articles and the resultant Conversion Ordinary Shares then be converted and reclassified as Ordinary Shares, such conversions and reclassifications to take effect conditional upon and immediately prior to Admission;

3.4.5 conditional upon and immediately prior to Admission and immediately following the conversion and reclassification referred to in paragraph 3.4.4 above, the Articles be adopted in substitution for, and to the exclusion of, the Intermediate Articles;

3.4.6 the Company Secretary be appointed by the Company pursuant to Article 7.2 of the Articles to execute on behalf of all the holders of the Deferred Shares a transfer thereof in favour of the Company for nil consideration (in accordance with section 659 of the Act), such Deferred Shares to be held by the Company Secretary as nominee and custodian for and on behalf of the Company and that such Deferred Shares be cancelled by the Company and its share capital diminished by the aggregate nominal amount of the Deferred Shares so cancelled, such appointment, transfer and cancellation to take effect conditional upon and immediately prior to Admission;

3.4.7 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares and grant rights to subscribe for or to convert any securities into Ordinary Shares up to a maximum aggregate nominal amount of £876,036.05 in connection with the issue of the Further Placing Shares pursuant to the Placing, such authority to expire on the earlier of the Company's first annual general meeting or date falling 15 months after Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.8 subject to and conditional upon the passing of the resolution set out in paragraph 3.4.7 above, the Directors were generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 3.4.7 above as if section 561 of the Act did not apply to any such allotment, such authority to expire on the earlier of the Company's first annual general meeting or the date falling 15 months after Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.9 conditional on Admission, the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot:

3.4.9.1 Ordinary Shares and grant rights to subscribe for or to convert any securities into Ordinary Shares up to a maximum aggregate nominal value of £870,179.30 or, if less, the nominal value of one third of the issued share capital of the Company immediately following Admission; and

3.4.9.2 equity securities of the Company (within the meaning of section 560 of the Act) up to an aggregate nominal value of £1,740,358.60 or, if less, the nominal value of two thirds of the issued share capital of the Company immediately following Admission (such amount to be reduced by the nominal amount of any Ordinary Shares allotted or rights granted under paragraph 3.4.9.1) in connection with an offer by way of a rights issue or other pre-emptive offer to:

(i) the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and

(ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that, in each case, the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter, such authorities to expire on the earlier of the Company's first annual general meeting or the date falling 15 months after Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment and/or transfer of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.10 subject to the passing of the resolution set out in paragraph 3.4.9 above and conditional on Admission, the Directors were generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares and equity securities (within the meaning of section 560 of the Act) for cash pursuant to the general authority referred to in paragraph 3.4.9 above as if section 561(1) of the Act did not apply to such allotment, provided that the authority be limited to:

3.4.10.1 the allotment of Ordinary Shares and equity securities for cash up to an aggregate nominal amount of £261,053.75 (being equivalent to 10 per cent. of the nominal value of the issued share capital of the Company on Admission); and

3.4.10.2 the allotment of equity securities in connection with an offer or issue in favour of:

(a) holders of Ordinary Shares in proportion (as nearly as practicable) to their existing holdings; and

(b) holders of equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

and so that, in each case, the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

and such authority shall expire on expire on the earlier of the Company's first annual general meeting or the date falling 15 months after Admission, save that the Company may, at any

time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment and/or transfer of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

3.4.11 conditional on Admission, the Company was authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of up to 7,826,392 Ordinary Shares (being approximately 14.99 per cent of the issued ordinary share capital of the Company immediately following Admission) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

3.4.11.1 the maximum price which may be paid for each share (exclusive of expenses) shall not be more than the higher of: (1) five per cent. above the average mid-market price of the Ordinary Shares for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the trading venue where the purchase was carried out; and

3.4.11.2 the minimum price which may be paid for each share shall not be less than £0.05 per share, being the nominal value of an Ordinary Share; and

3.4.11.3 the authority shall expire on the earlier of the conclusion of the first annual general meeting of the Company or the date falling 15 months after Admission, save that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority had not expired;

3.4.12 a general meeting of the Company other than an annual general meeting may be called on not less than 14 days' notice;

3.4.13 the Directors were generally and unconditionally authorised, for the purposes of Article 155 of the Articles, to capitalise any undistributed profits (whether available for distribution or not) of the Company which are not required for paying any preferential dividend or any sum in the Company's share premium account or capital reserves (the "**capitalised sum**") and to apply the capitalised sum to pay up any amounts representing the difference between the exercise price of any options granted by the Company from time to time and the nominal value of any shares to be issued by the Company to the relevant option holders pursuant to any such exercise of such options;

3.4.14 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to grant rights to subscribe for Ordinary Shares up to a maximum aggregate nominal amount of £161,478.75 in connection with the proposed allotment and issue of Ordinary Shares to IP2IPO pursuant to the exercise by IP2IPO of its rights to convert the principal amount outstanding under the Convertible Loan into such number of Ordinary Shares as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price, such authority to expire immediately following the entry into the Convertible Loan Agreement, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if such authority had not expired; and

3.4.15 subject to and conditional upon the passing of the resolution set out in paragraph 3.4.14 above, the Directors were generally empowered (pursuant to section 570 of the Act) to allot equity securities for cash pursuant to the authority referred to in paragraph 3.4.14 above as if section 561 of the Act did not apply to such allotment, such authority to expire immediately

following the entry into the Convertible Loan Agreement, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if such authority had not expired.

3.5 As at 18 December 2015, being the latest practicable date prior to the date of this document, the Company held no treasury shares. No shares in the capital of the Company have been issued other than fully paid.

3.6 The Ordinary Shares will carry the right to receive dividends and distributions paid by the Company following Admission. The Shareholders will have the right to receive notice of and to attend and vote at all general meetings of the Company.

3.7 The ISIN of the Ordinary Shares is GB00BDB6Q760.

3.8 Further information on the rights attached to the Ordinary Shares and the Deferred Shares is set out in paragraphs 4.1, 4.5, 5.1 to 5.5 and 5.16 of this Part 7 and further information on dealing arrangements and CREST is set out in Part 1.

3.9 As at the date of this document, and save as otherwise disclosed in this Part 7:

3.9.1 no share or loan capital of the Company has, since the incorporation of the Company, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;

3.9.2 no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital; and

3.9.3 no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

3.10 The currency of the issue is Pounds Sterling.

4. Information about the Ordinary Shares

4.1 ***Description of the type and class of securities being offered***

The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

Immediately following Admission, the Company will have one class of issued share (Ordinary Shares), the rights of which will be set out in the Articles, a summary of which is set out in paragraph 5 of this Part 7.

Each of the Placing Shares issued pursuant to the Placing will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

None of the Placing Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Placing. The Placing Shares to be issued pursuant to the Placing are being issued at a price of £1.44 per share, representing a premium of £1.39 over the nominal value of £0.05 each (immediately following Admission). The expected issue dates of the Placing Shares are 23 December 2015, in respect of the EIS Placing Shares, and 24 December 2015, in respect of the Further Placing Shares.

4.2 ***Legislation under which the Ordinary Shares are created***

The Ordinary Shares have been, and the Placing Shares will be, created under the Act and, in each case, conform, or will conform, with the laws of England and Wales. The Ordinary Shares have been,

and the Placing Shares will be, duly authorised according to the requirements of the Company's constitution and have, and will have, all necessary statutory and other consents.

4.3 ***Admission of the Ordinary Shares***

Application has been made for all of the Ordinary Shares to be admitted to AIM. The Ordinary Shares are not listed or traded on, and no application has been made for admission of the Ordinary Shares to listing or trading on, any other stock exchange or securities market, and the Company does not currently intend to make any such application in the future.

It is expected that Admission will become effective, and that dealings in the Ordinary Shares will commence on the London Stock Exchange, at 8.00 a.m. on 24 December 2015.

4.4 ***Form and currency of the Ordinary Shares***

The Ordinary Shares are in registered form and capable of being held in certificated and uncertificated form upon Admission. The Registrar of the Company is Capita Registrars Limited.

Title to certificated Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear UK & Ireland Limited (which will form part of the register of members of the Company).

No share certificates will be issued in respect of Ordinary Shares held in uncertificated form. If any such Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those Ordinary Shares in accordance with applicable legislation. No temporary documents of title have been or will be issued in respect of the Ordinary Shares.

It is currently anticipated that the Ordinary Shares will be eligible to join CREST with effect immediately upon Admission and the commencement of dealings on the London Stock Exchange.

The Ordinary Shares are denominated in Pounds Sterling and the Placing Price is payable in Pounds Sterling.

4.5 ***Rights attaching to the Ordinary Shares and Deferred Shares***

Subject to the provisions of the Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Act allows for the dis-application of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. Please see paragraph 3.4.10 of this Part 7 for a description of the waivers of pre-emption rights that apply.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company. There are no arrangements in existence under which future dividends are to be waived, or agreed to be waived.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Act. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

Further details of the rights attaching to the Ordinary Shares in relation to attendance and voting at general meetings, dividend rights, entitlements on a winding-up of the Company and transferability of shares are set out in paragraphs 5.1 to 5.5 of this Part 7.

Further details of the rights attaching to the Deferred Shares are set out in paragraph 5.16 of this Part 7. No Deferred Shares are expected to be in issue at Admission.

5. Summary of the Articles

The Articles, which were adopted, conditional on Admission, on 18 December 2015, contain provisions (among others) to the following effect:

5.1 ***Voting rights***

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy (regardless of the number of members for whom he is a proxy) or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Ordinary Share of which he is the holder.

The duly authorised representative of a corporate Shareholder may exercise the same powers on behalf of that corporation as it could exercise as if it were an individual shareholder.

A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.

Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the shares represent at least 0.25 per cent. of their class, 14 days), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

5.2 ***General meetings***

The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 clear days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.

Each Director may attend and speak at any general meeting.

Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

5.3 ***Dividends and other distributions***

Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.

Except insofar as the rights attaching to, or the terms of issue of, any shares otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 5.9 below.

5.4 ***Return of capital***

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

5.5 ***Transfer of Shares***

The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST), such shares being referred to as "Participating Securities". The Ordinary Shares are freely transferable, save as set out in this paragraph 5.5.

In the case of shares represented by a certificate ("**Certificated Shares**"), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may refuse to register a transfer unless:

(i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.

In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of

interests in the shares (as referred to in paragraph 5.9 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

(i) a transfer in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;

(ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or

(iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

5.6 ***Transfer restrictions under the Act***

The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void.

5.7 ***Variation of rights***

Subject to the Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking pari passu therewith or subsequent thereto.

5.8 ***Share capital and changes in capital***

Subject to and in accordance with the provisions of the Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.

Subject to the provisions of the Articles and the Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.

The Company may by ordinary resolution alter its share capital, in accordance with the Act. The resolution may determine that, as between holders of shares resulting from a sub-division any of the

shares may have any preference or advantage or be subject to any restriction as compared with the others.

Subject to the Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

5.9 ***Disclosure of interests in shares***

The provisions of DTR 5 of the Disclosure Rules and Transparency Rules of the FCA govern the circumstances in which a person may be required to disclose his interests in the share capital of the Company. *Inter alia*, this requires a person who is interested in three per cent. or more of the voting rights in respect of the Company's issued ordinary share capital to notify his interest to the Company (and above that level, any change in such interest equal to one per cent. or more). In addition, the City Code contains further provisions pursuant to which a person may be required to disclose his interests in the share capital of the Company.

Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a "disenfranchisement notice"). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders' meeting or to exercise any other right in relation to Shareholders' meetings.

Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.

The Articles do not restrict in any way the provisions of section 793 of the Act.

5.10 ***Non-UK Shareholders***

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices shall be served.

5.11 ***Untraced Shareholders***

Subject to various notice requirements, the Company may sell any of a Shareholder's shares in the Company if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

5.12 ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company, so as to secure (so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of (i) £20 million and (ii) three times adjusted capital and reserves of the Group.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

5.13 ***Directors***

Subject to the Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.

The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise 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 or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

(i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;

(ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;

(iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

(v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and

(vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise

in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.

Subject to the following paragraph, the Directors shall be paid such remuneration (by way of salary, fees, commission, participation in profits or otherwise) as the Board, or any committee authorised by the Board, may determine and either in addition to or in lieu of his remuneration as Director. The Directors shall also be entitled to be repaid by the Company all reasonable hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise properly incurred while engaged in the business of the Company or their duties as Director.

Fees may be paid out of the funds of the Company to Directors who are not managing or Executive Directors at such rates as the Board, or any committee authorised by the Board, may determine, provided that such fees do not, in the aggregate, exceed £300,000 per annum (exclusive of VAT, if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

The Company may indemnify the Directors and officers of the Company against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Act. Subject to sections 205(2) to (4) of the Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

At each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation (or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) provided always that all Directors must be subject to re-election at intervals of no more than three years. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

There is no age limit for Directors.

Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two in number and shall not be more than ten.

5.14 ***Redemption***

The Ordinary Shares are not redeemable.

5.15 ***Electronic communication***

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

5.16 ***Deferred Shares***

The Deferred Shares do not give any entitlement to receive a dividend, distribution, return of capital, share certificate and notice of a general meeting nor do they give their holders the right to attend, speak or vote at general meetings or participate in the assets of the Company. The Deferred Shares may not be transferred without the prior written consent of the Directors. The Company may purchase all or any of the Deferred Shares in issue at any time for a consideration of £0.01, in aggregate, payable to each holder of Deferred Shares or otherwise acquire all or any of the Deferred Shares in issue at any time for nil consideration in accordance with section 659 of the Act. Pending any such acquisition, each holder of the Deferred Share(s) shall be deemed to have irrevocably authorised the Company to appoint any person to execute (on behalf of the holder of the Deferred Share(s)) a transfer thereof and/or an agreement to transfer the same to the Company or to such person(s) as the Company may determine as custodian thereof.

No Deferred Shares are expected to be in issue immediately following Admission. Pursuant to the resolution passed at the general meeting of the Company on 18 December 2015, as more particularly described at paragraph 3.4.6 above, it is proposed that the Company Secretary, as nominee for the Company, will acquire all of the Deferred Shares arising in connection with the Share Capital Reorganisation for nil consideration and that such Deferred Shares then be cancelled by the Company and its share capital diminished, transfer and cancellation to take effect conditional upon and immediately prior to Admission simultaneously with the other steps to be effected in connection with the Share Capital Reorganisation conditional upon and immediately prior to Admission, as referred to at paragraph 2.8 above.

6. Mandatory bids, presumed concert parties, compulsory acquisition rules relating to the Ordinary Shares and notification of major interests in Ordinary Shares

Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company.

6.1 *Mandatory bids*

The City Code applies to the Company and therefore Shareholders will be entitled to the protections afforded by the City Code. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established. With effect from 23 November 2015, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the City Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the City Code applies (as will be the case in respect of Existing Shareholders as a consequence of the Share-for-Share Exchange, the re-registration of the Company as a public limited company and Admission) will be presumed by the Takeover Panel to be acting in concert with one another unless that presumption is rebutted.

Whilst the Takeover Panel has indicated that it would be prepared to agree that the presumption is rebutted where, for example, the shareholders in such private company are independent institutional shareholders, as opposed to individuals who founded or who otherwise became members of that company, this nevertheless means that individual Shareholders as at Admission will be presumed by the Takeover Panel to be acting in concert with one another unless that presumption is rebutted. However, whilst there remain a number of individual concert parties, as described in paragraph 6.2

below, the Company has been successful in rebutting the presumption that all Existing Shareholders will be deemed to be acting in concert at Admission.

6.2 ***Presumed concert parties***

Invesco and IPG Concert Party

Following Admission, as set out in paragraph 7.1 of this Part 7, the IPG Holders will hold approximately 45.60 per cent. of the voting rights attached to the issued share capital of the Company. In addition, IP2IPO has agreed to provide the Convertible Loan to the Company on the terms of the Convertible Loan Agreement, which provide that IP2IPO may convert the principal amount outstanding pursuant to the Convertible Loan into such number of Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement. However, any purported conversion under the Convertible Loan Agreement is deemed to be immediately and automatically withdrawn and such purported conversion null and void and no such conversion shall occur in the event that any such conversion would cause IP2IPO to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 of ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 of the ITA 2007) of the Company; or (iii) give rise to an obligation on IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code (as more particularly described in paragraph 12.11 below).

In addition, David Baynes is a director of IPG and an employee of IP2IPO, the ultimate parent company of the IPG Holders, and will, following Admission, hold approximately 0.13 per cent. of the voting rights attached to the issued share capital of the Company in his personal capacity. Peter Grant is the Managing Director of the New Business and Partnerships Division of IPG and will, following Admission, hold approximately 0.14 per cent. of the voting rights attached to the issued share capital of the Company in his personal capacity. Peter Grant is also an employee of IP2IPO.

Furthermore, IP2IPO Nominees will, following Admission, hold approximately 0.61 per cent. of the voting rights attached to the issued share capital of the Company as nominee on behalf of certain employees of IPG. In particular, Sam Williams, a Non-Executive Director and an employee of IP2IPO, will, following Admission, beneficially hold approximately 0.07 per cent. of the voting rights attached to the issued share capital of the Company through IP2IPO Nominees.

Following Admission, as set out in paragraph 7.1 of this Part 7, Invesco, as a consequence of its participation in the Placing, will hold approximately 12.50 per cent. of the voting rights attached to the issued share capital of the Company. Because Invesco also holds over 20 per cent. of the voting rights attached to the issued share capital of IPG (as at 18 December 2015, being the latest practicable date prior to the date of this document), there is a presumption under the City Code (which has not been rebutted at the date of this document) that Invesco and IPG are acting in concert in relation to their shareholdings in the Company.

As a result of the above connections, there is a presumption under the City Code (which has not been rebutted at the date of this Admission Document) that, immediately following Admission, IP2IPO, IP2IPO Nominees, Fusion, Invesco, Sam Williams, David Baynes and Peter Grant will be presumed to be acting in concert with each other insofar as their shareholdings in the Company are concerned (the "**Invesco and IPG Concert Party**").

Finance Wales

Following Admission, as set out in paragraph 7.1 of this Part 7, Finance Wales will hold approximately 22.09 per cent. of the voting rights attached to the issued share capital of the Company. The entities comprising Finance Wales are all wholly-owned subsidiaries of Finance Wales plc and,

as a result of their connections, there is a presumption under the City Code (which has not been rebutted at the date of this Admission Document) that, immediately following Admission, the entities comprising Finance Wales will be presumed to be acting in concert with each other insofar as their shareholdings in the Company are concerned.

Other concert parties

In addition, there are a number of other Existing Shareholders who, because of the nature of their shareholdings in the Company and their connections are deemed to be acting in concert with one another. However, the aggregate shareholdings in the Company of all such other concert parties are not significant enough to give rise to any issues in the context of Rule 9 of the City Code.

As referred to at paragraph 6.1 above, the Takeover Panel would normally presume that all Existing Shareholders, as a consequence of the Share-for-Share Exchange, the re-registration of the Company as a public limited company and Admission, will be acting in concert with one another unless that presumption is rebutted. However, the Directors believe that whilst there are a number of distinct concert parties who will hold Ordinary Shares at Admission (as referred to above), there has never been any, and will, following Admission continue to be no, "common interest" between the constituents of each of such separate concert parties so identified and that the members of each such separate concert party have historically acted, and provided that they will continue to act, following Admission, independently of each other in relation to their dealings and interactions with the Company, they should not be deemed to be acting in concert with each other. The Company has discussed the position with the Takeover Panel and the Takeover Panel has confirmed that the presumption that all Existing Shareholders at Admission are acting in concert with one another has been rebutted.

Because the aggregate size of its anticipated shareholding in the Company immediately following Admission will be in excess of 50 per cent. of the Enlarged Share Capital, should any member of the Invesco and IPG Concert Party acquire an interest in any other shares in the Company which increases the percentage of the shares in which the Invesco and IPG Concert Party has an interest, the Invesco and IPG Concert Party will not be required by the Panel to make an offer for the shares in the Company not owned or controlled by it at that time under Rule 9 of the City Code as it will have "buying freedom". However, in the event that any constituent of the Invesco and IPG Concert Party was to make an acquisition of Ordinary Shares sufficient to increase its individual holding to 30 per cent. or more of the voting rights in the Company, or, if such constitutent already held in excess of 30 per cent. but less than 50 per cent. of the voting rights in the Company and such acquisition increased its holding of ordinary Shares, then such constituent of the Invesco and IPG Concert Party would be required to make a mandatory cash offer to acquire the Ordinary Shares in issue not owned or controlled by it at that time under Rule 9 of the City Code, regardless of the fact that the Invesco and IPG Concert Party, taken as a whole, had "buying freedom" at such time, as described above.

Should the Invesco and IPG Concert Party, taken as a whole, have its interests in Ordinary Shares diluted such that it is interested in less than 50 per cent. but more than 30 per cent. of the voting rights in the Company, then the Invesco and IPG Concert Party, taken as a whole, will cease to have "buying freedom", as described above, and if any constituent of the Invesco and IPG Concert Party acquires an interest in any other shares in the Company which increases the percentage of the shares in which the Invesco and IPG Concert Party, taken as a whole, has an interest, Invesco and IPG Concert Party may be required by the Takeover Panel to make an offer for the shares in the Company which are not owned or controlled by it at that time.

As a consequence of the aggregate size of its anticipated shareholding in the Company immediately following Admission, the fact that the entities comprising Finance Wales will be presumed to be acting in concert with each other does not give rise to the same issues in respect of Rule 9 of the City Code as arise in connection with the Invesco and IPG Concert Party unless Finance Wales should increase its interests in shares in the Company such that, in aggregate, Finance Wales becomes interested in 30 per cent. or more of the voting rights in the Company, in which case this would give rise to issues in respect of Rule 9 of the City Code.

Although the Company does not intend to commence a share buy-back programme, while the Invesco and IPG Concert Party has "buying freedom" (as described above), any share buy-back, were one to be effected, which resulted in an increase in the percentage of voting shares held by the Invesco and IPG Concert Party, taken as a whole, would not have any implications under the City Code for the Invesco and IPG Concert Party, taken as a whole.

However, in the event that any share buy-back effected by the Company resulted in any constituent of the Invesco and IPG Concert Party increasing its individual percentage holding of the voting rights in the Company to 30 per cent. or more, or, if such constituent already held in excess of 30 per cent. but less than 50 per cent. of the voting rights in the Company and such share buy-back resulted in it increasing its individual percentage holding of the voting rights in the Company, then, unless such increase was approved by a 'whitewash' vote of independent Shareholders (that is, Shareholders unconnected with the Invesco and IPG Concert Party), such constituent of the Invesco and IPG Concert Party would be required to make a mandatory cash offer to acquire the Ordinary Shares in issue not owned or controlled by it at that time under Rule 9 of the City Code, regardless of the fact that the Invesco and IPG Concert Party, taken as a whole, may have had "buying freedom" at such time. The Company may propose such a 'whitewash' resolution at its future annual general meetings. Pursuant to Rule 37 of the City Code, where a 'whitewash' resolution is passed, the Takeover Panel will normally waive the obligation that would otherwise arise for the Invesco and IPG Concert Party to make a mandatory cash offer (as referred to above).

In addition, should the Invesco and IPG Concert Party, taken as a whole, have its interests in Ordinary Shares diluted such that it is interested in less than 50 per cent. but more than 30 per cent. of the voting rights in the Company, then the Invesco and IPG Concert Party, taken as a whole, will cease to have "buying freedom", as described above, and if, as a result of any share buy-back effected by the Company, any constituent of the Invesco and IPG Concert Party increased the percentage of the voting shares in which the Invesco and IPG Concert Party, taken as a whole, had an interest, any such increase may need to be approved by a 'whitewash' vote of independent Shareholders (as described above) to avoid the Invesco and IPG Concert Party being required to make a mandatory offer for the Company pursuant to Rule 9 of the City Code.

6.3 ***Squeeze-out rules***

Under the Act, if a "takeover offer" (as defined in section 974 of the Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which such offer relates (and, where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by such shares) the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

6.4 ***Sell-out rules***

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority

members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three-months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his or her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6.5 ***Notification of major interests in Ordinary Shares***

Chapter 5 of the Disclosure and Transparency Rules makes provisions regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as a Shareholders through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three percent. or any whole percentage figure above three per cent.

The requirement to notify also applies where a person is an indirect Shareholder and can acquire, dispose of or exercise voting rights in certain cases.

Shareholders are encouraged to consider their notification and disclosure obligations carefully as a failure to make any required notification to the Company may result in disenfranchisement pursuant to the Articles (see paragraph 5.9 above for further information).

7. Interests of major Shareholders

7.1 ***Major Shareholders***

So far as the Directors are aware, as at 18 December 2015 (being the latest practicable date prior to the publication of this document), each of the persons set out in the table below will, immediately prior to and immediately following Admission, be directly or indirectly interested in three per cent. or more of the issued Ordinary Share capital of the Company.

	Interests immediately prior to Admission				*Interests immediately following Admission*	
	Number of Intermediate Ordinary Shares	*Percentage of Existing Ordinary Share Capital*	*Number of B Shares*	*Percentage of Existing B Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
IPG Holders	13,844,000	45.7%	4,339,500	100.0%	23,808,100	45.6%
Finance Wales	10,146,000	33.5%	0	0.0%	11,534,888	22.1%
Invesco	0	0.0%	0	0.0%	6,527,777	12.5%
Oceanwood Capital Management LLP	0	0.0%	0	0.0%	3,472,222	6.7%
Sarum Investments SICAV PLC	1,576,500	5.2%	0	0.0%	1,576,500	3.0%
Richard Ross	1,547,000	5.1%	0	0.0%	1,553,944	3.0%
Simm Investments Limited	1,518,500	5.0%	0	0.0%	1,518,500	2.9%

The IPG Holders' interest in the Existing Ordinary Share Capital is split between Fusion's holding of 13,319,000 Ordinary Shares, IP2IPO's holding of 223,500 Ordinary Shares and IP2IPO Nominees' holding of 301,500 Ordinary Shares. The IPG Holders' interest in the Existing B Share Capital is split between Fusion's holding of 2,144,000 B Shares and IP2IPO's holding of 2,195,500 B Shares. At Admission, the B Shares will convert into and be reclassified as Conversion Ordinary Shares and, subsequently, Ordinary Shares and there will thereafter be no B Shares in issue. Following Admission, the IPG Holders' interests in Ordinary Shares will be split between Fusion's holding of 15,463,000 Ordinary Shares, IP2IPO's holding of 8,025,264 Ordinary Shares and IP2IPO Nominees' holding of 319,836 Ordinary Shares. In addition, IP2IPO has agreed to provide the Convertible Loan to the Company on the terms of the Convertible Loan Agreement, which provide that IP2IPO may, in accordance with the terms, and subject to the conditions, set out in the Convertible Loan Agreement, convert the amount outstanding pursuant to the Convertible Loan into such number of Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement. There are express restrictions on IP2IPO's ability to exercise its conversion rights under the Convertible Loan Agreement and these are described in detail in paragraph 12.11 below:

Finance Wales' interest in the Existing Ordinary Share Capital is split between Finance Wales Investments (5) Limited's holding of 3,373,000 Ordinary Shares and Finance Wales Investments (6) Limited's holding of 6,773,000 Ordinary Shares. Following Admission, Finance Wales' interest in Ordinary Shares will be split between Finance Wales Investments (3) Limited's holding of 1,388,888 Ordinary Shares, Finance Wales Investments (5) Limited's holding of 3,373,000 Ordinary Shares and Finance Wales Investments (6) Limited's holding of 6,773,000 Ordinary Shares.

7.2 ***Other disclosures relating to Shareholders***

Other than as described in paragraph 7 of this Part 7 and save in respect of the Relationship Agreements, details of which are set out in paragraph 12.6 of this Part 7, the Company and the Directors are not aware of: (i) any persons who, following Admission, directly or indirectly, jointly or severally, exercises or could or will exercise control over the Company; nor (ii) any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

As of Admission, the Ordinary Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights and none of the Shareholders will have different voting rights.

8. Directors

8.1 ***Directorships and partnerships of the Directors outside the Group***

Details of those companies and partnerships outside the Group of which the Directors and are currently directors or partners, or have been directors or partners at any time during the five years prior to the date of this document, are as follows:

Name	*Current*	*Past*
Peter Allen	Advanced Medical Solutions Group plc Clinigen Group plc Future plc Macrotarg Limited Oxford Nanopore Technologies Limited St Mary's School (Calne)	BBI Diagnostics Group 2 Plc Chroma Therapeutics Limited Mecom Group Limited Prostrakan Group plc Proximagen Group Limited Scancell Holdings plc Scancell Limited St Mary's School (Calne) Services Limited The Calne Foundation Trust TMO Renewables Limited
Martin Whitaker	D3 Pharma Limited	Andron Pharma Limited Faveo Limited PH Therapeutics Limited Reks Limited Resagen Limited
Ian Ardill	Windle Valley Youth Project Registered Charity (Treasurer)	Biocompatibles, Inc. Biocompatibles International Limited Biocompatibles UK Limited Biopolymerix, Inc. CellMed AG LionMedical Limited Lombard Medical Limited Lombard Medical (Scotland) Limited Lombard Medical Technologies, Inc. Lombard Medical Technologies Limited PolyBioMed Limited
Richard Ross	Asterion Limited European Society of Endocrinology (Treasurer)	

Name	*Current*	*Past*
Sam Williams	Bioindustry Association C4X Discovery Holdings plc MBS Director Limited MBS Secretarial Limited Modern Biosciences Nominees Limited Modern Biosciences plc Pharminox Limited PIMCO 2664 Limited	C4X Discovery Limited C4X Drug Discovery Limited Karus Therapeutics Limited Photopharmacia Leeds Limited
Alan Raymond	James Raymond Homes Limited	Oncimmune Limited Scarborough and North East Yorkshire Healthcare Trust UK
John Goddard	Intas Pharmaceuticals Limited Oxford Pharmascience Group plc	Mela Sciences, Inc. Optos PLC Ultimate Finance Holdings Limited

Save as set out above, none of the Directors has any business interests, or performs any activities, outside the Group which are significant with respect to the Group.

8.2 ***Conflicts of Interest***

Save as set out below, there are no actual or potential conflicts of interests between the duties of the Directors and private interests and/or other duties that they may also have:

8.2.1 Martin Whitaker is an Executive Director of the Company and the Group's Chief Executive Officer. He is also an executive director of D3 Pharma Limited with a minimal weekly time commitment (less than five hours) to D3 Pharma Limited which may potentially conflict with his time commitment to the Group. In practice, the Directors do not consider that any such conflict, should it arise, should have any detrimental effect on his ability to perform his duties and obligations pursuant to his service contract with the Company or otherwise as a Director of the Company.

8.2.2 Richard Ross is an Executive Director of the Company and the Group's Chief Scientific Officer. He is an employee of the University and his services are provided to the Group pursuant to the terms of the University Secondment Agreement and the University Research Agreement, pursuant to which he is made available to the Group for 12 months from 1 December 2015 to carry out a programme of research and development activities for the Group (as the Group may direct). Assuming a willingness on the part of both parties to do so, it is expected that the University Research Agreement will be renewed for a further term on its expiry. Notwithstanding the confidentiality undertakings and restrictive covenants that Richard Ross has entered into with the Company and his statutory and fiduciary duties as a director of the Company, as an employee of the University, there is the potential for conflicts of interest to arise given his time commitments to both the University and the Group, although, in practice, the Directors do not consider that any such conflict should have any detrimental effect on his ability to perform his duties and obligations as a Director of the Company. For further information in relation to the arrangements pursuant to which Richard Ross' services are provided to the Group (including his contracted time commitments to the Group pursuant to such arrangements), please refer to paragraphs 8.7(c), 12.9 and 12.10 of this Part 7. For further information in relation to certain risks associated with the arrangements pursuant to which Richard Ross' services are provided to the Group, please refer to paragraph 2.5 of Part 3 of this document under the heading *"The Group is dependent on its key executives and personnel as well as its ability to recruit, retain and incentivise skilled and experienced personnel*".

8.2.3 Sam Williams is a Non-Executive Director of the Company. In addition, he is an employee of IP2IPO, a wholly-owned subsidiary of IPG, which has received monitoring and arrangement

fees from the Group pursuant to the terms of the Existing Investment Agreement and the Interim Investment Agreement and has agreed to make the Convertible Loan available to the Company pursuant to Convertible Loan Agreement. He has also been appointed to the Board as IPG's nominee pursuant to the terms of the IPG Relationship Agreement. In addition, he will, following Admission, have a beneficial interest in Ordinary Shares in his personal capacity through IP2IPO Nominees.

8.2.4 Alan Raymond is a Non-Executive Director of the Company. In addition, he is a representative of Finance Wales, which has received monitoring and arrangement fees from the Group pursuant to the terms of the Existing Investment Agreement and the Interim Investment Agreement, and has been appointed to the Board as Finance Wales' nominee pursuant to the terms of the Finance Wales Relationship Agreement.

8.3 ***Confirmations by the Directors***

Save as disclosed in this paragraph 8.3, no Director has:

8.3.1 any unspent convictions in relation to indictable offences; or

8.3.2 been bankrupt or entered into an individual voluntary arrangement; or

8.3.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

8.3.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

8.3.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

8.3.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Peter Allen was previously a director TMO Renewables Limited within 12 months preceding it entering into administration on 19 December 2013, having resigned on 28 February 2013. The administration ended on 8 December 2014, at which point the company entered a creditors' voluntary liquidation which, as at the date of this document, is ongoing. Claims from creditors at the time of entering the liquidation amounted to approximately £6.9 million, in aggregate.

There are no family relationships between any of the Directors.

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

8.4 ***Interests in the share capital of the Company of the Directors and Senior Managers following Admission***

The interests of each Director and other member of the senior management team, all of which are beneficial, in the share capital of the Company are as follows:

	Interests immediately prior to Admission		*Interests following Admission*	
	Number of Intermediate Ordinary Shares	*Percentage of Existing Ordinary Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Peter Allen	0	0.0%	34,722	0.1%
Martin Whitaker	0	0.0%	11,111	0.0%
Ian Ardill	0	0.0%	13,888	0.0%
Richard Ross	1,547,000	5.1%	1,553,944	3.0%
Sam Williams*	37,500	0.1%	37,500	0.1%
Alan Raymond	0	0.0%	13,888	0.0%
John Goddard	0	0.0%	6,944	0.0%
Michael Withe	0	0.0%	0	0.0%
John Porter	0	0.0%	2,083	0.0%
David Eckland	0	0.0%	0	0.0%
Daniel Margetson	0	0.0%	20,833	0.0%
Hiep Huatan	0	0.0%	0	0.0%

* Sam Williams holds 37,500 Ordinary Shares beneficially via IP2IPO Nominees which is the registered holder of such Ordinary Shares.

8.5 ***Options to subscribe in the share capital of the Company***

The following options to subscribe for Ordinary Shares have been, or will following Admission be, granted under the Share Incentive Schemes to the Directors and other members of the senior management team as follows:

	Options immediately prior to Admission		*Options following Admission*	
	Number of Intermediate Ordinary Shares[3]	*Percentage of Existing Ordinary Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Peter Allen	69,000[2]	0.2%	173,421[4]	0.3%
Martin Whitaker	919,500[1,2]	3.0%	919,500	1.8%
Ian Ardill	330,000[2]	1.1%	330,000	0.6%
Alan Raymond	0	0.0%	0	0.0%
John Goddard	0	0.0%	32,374[4]	0.1%
Richard Ross	1,349,000[1,2]	4.5%	1,349,000	2.6%
Michael Withe	120,000[2]	0.4%	120,000	0.2%
John Porter	120,000[2]	0.4%	120,000	0.2%
David Eckland	0	0.0%	0	0.0%
Daniel Margetson	120,000[2]	0.4%	120,000	0.2%
Hiep Huatan	420,000[1,2]	1.4%	420,000	0.8%

1. Options granted immediately following the Share-for-Share Exchange in exchange for options granted under the Old Option Agreements (see paragraph 9.2.4 below).

2. Options proposed to be granted in exchange for options granted under the Option Scheme or New Share Option Agreements (see paragraphs 9.2.2 and 9.2.3 below). The options will lapse if not exchanged within 21 days of an offer to exchange the options being made.

3. Following the Reorganisation, certain options are required under their terms to be adjusted in such a way that would result in a reduction of the exercise price of those options by a factor of 500. As a consequence, the exercise price of such options following the Reorganisation would be less than the nominal value of an Ordinary Share. In respect of those options, the Company will, to the extent possible, procure that, on exercise, an amount equal to the per share nominal value less the per share exercise price is capitalised from the reserves of the Company or paid in such other way that does not involve the issue of new Ordinary Shares. However, if and to the extent that certain option holders are required to pay an exercise price which is higher than would otherwise have been the case (i.e. up to the nominal value), the Company may increase the number of Ordinary Shares which are subject to these options to compensate the option holders for their increased exercise price plus any increased income tax and employee national insurance contributions that may be payable by the option holder as a result. To the extent that such Ordinary Shares are newly issued, they will count towards, and be included in, the 10 per cent. limit on dilution under the LTIP, as described in paragraph 9.2.1 of this Part 7.

4. Includes awards to be made pursuant to the arrangements described at paragraph 9.2.5 of this Part 7.

Save as disclosed in paragraphs 8.4 above and this paragraph 8.5, no Director or other member of the senior management team has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors or other members of the senior management team (within the meaning of section 252 of the 2006 Act) have any such interests, whether beneficial or non-beneficial.

Up to 3,736,000 Ordinary Shares may be issued under the share option arrangements described at paragraphs 9.2.2, 9.2.3 and 9.2.4 of this Part 7 (subject to Note 3 of the table at paragraph 8.5 above). In addition, Peter Allen and John Goddard will be entering into arrangements (described at paragraph 9.2.5 in this Part 7) following Admission pursuant to which they will be entitled to subscribe for, in aggregate, 136,795 Ordinary Shares.

Following Admission, the aggregate 3,872,795 Ordinary Shares under option or awards will represent 7.4 per cent. of the Enlarged Share Capital, being awards granted under the arrangements described in paragraphs 9.2.2, 9.2.3, 9.2.4 and 9.2.5 of this Part 7. In addition, the Company may also issue (or grant rights to issue) up to 10 per cent. of the issued ordinary share capital of the Company from time to time, as set out in Note 3 of the table at paragraph 8.5 above, or under the LTIP (further described at paragraph 9.2.1 of this Part 7), in any ten calendar year period following the Admission.

8.6 ***Transactions with Directors***

Save as set out in this Part 7 (including, without limitation, as set out at paragraphs 8.2.3 and 8.2.4 above), none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group or any of its subsidiary undertakings during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

Save as set out in this Part 7, none of the Directors has or had a beneficial interest in any contract to which any member of the Group or any of its subsidiary undertakings was a party during the current or immediately preceding financial year.

8.7 ***Executive Directors' service contracts, remuneration and emoluments***

The Company entered into service contracts with Martin Whitaker and Ian Ardill, Executive Directors of the Company, on 21 December 2015. The principal terms of these contracts are set out below.

(a) *General terms*

The basic annual salary payable to Martin Whitaker, Chief Executive Officer, is £160,000. The service agreement contains restrictive covenants for periods of six months following termination of his employment.

The basic annual salary payable to Ian Ardill, Chief Financial Officer, is £130,000. The service agreement contains restrictive covenants for periods of six months following termination of his employment.

Basic salaries will be reviewed annually with any increases taking effect from 1 July. The effective date of the Executive Directors' next annual salary review will be 1 July 2016. The level of increases for executive directors will take due account of the increases awarded to the workforce as a whole, as well as a consideration of the performance of the Group and the individual, skill set and experience and external indicators such as salaries in comparable companies and inflation.

The Remuneration Committee considers that the salary levels of the Executive Directors are currently positioned below mid-market levels, which is considered appropriate at this relatively early stage in the Group's development. However, it intends to increase salaries to a mid-market position subject to the Group entering its commercialisation phase within two years of Admission.

Pension is to be provided either via a contribution into the Company's defined contribution plan, or via a cash supplement. The level of pension for the Executive Directors is set at 10 per cent. of basic annual salary.

Ancillary benefits are to be provided in the form of annual travel insurance, private healthcare cover, life assurance and income protection insurance.

(b) *Termination provisions*

Martin Whitaker's service contract may be terminated by either party serving 12 months' prior written notice on the other. The service agreement contains provisions for early termination in the event, *inter alia*, of: any breach of his statutory duties as a director; any act of gross misconduct or serious/gross incompetence; bankruptcy; being found guilty of a material breach of the AIM Rules or the Share Dealing Code; failure or cessation to meet the requirements of any regulatory body whose consent is required to enable him to undertake all or any of his duties or he becomes prohibited by law from being a director of a company.

Ian Ardill's service contract may be terminated by either party serving six months' written notice on the other. The service agreement contains provisions for early termination in the event, *inter alia*, of: any breach of his statutory duties as a director; any act of gross misconduct or serious/gross incompetence; bankruptcy; being found guilty of a material breach of the AIM Rules or the Share Dealing Code; failure or cessation to meet the requirements of any regulatory body whose consent is required to enable him to undertake all or any of his duties or he becomes prohibited by law from being a director of a company.

If within six months of a "change of control" of the Company (in summary, the acquisition of shares carrying more than 50 per cent. of the voting rights of the Company (whether by scheme of arrangement, contractual offer or other merger or consolidation)), the Company gives notice to terminate either Martin Whitaker's and/or Ian Ardill's service contract (save in certain circumstances, such as where he has committed a breach of the contract or is insolvent, for example) or he resigns in good faith in response to the Company's repudiatory breach of his contract, his employment will terminate and the Company will be obliged to make a payment equivalent to his then basic salary (less PAYE deductions).

(c) *Richard Ross*

Professor Richard Ross is employed by the University and is seconded to the Group pursuant to the University Secondment Agreement on terms that he spends no more than five per cent. of his time working on the Group's activities. The University Secondment Agreement was renewed for a further two years (that is, until 1 December 2017) with effect from 1 December 2015. Under the terms of the University Secondment Agreement, all intellectual property developed by Richard Ross and which arises from his secondment or which otherwise relates to the business of Diurnal Limited is owned by Diurnal Limited. The University Secondment Agreement is also terminable at the option of either of the parties on three months' written notice. However, Diurnal Limited has also entered into the University Research Agreement

pursuant to which the University has undertaken to conduct a programme of research and development activities for Diurnal Limited (and as directed by Diurnal Limited) to be supervised by Richard Ross for a period of one year from 1 December 2015. This agreement is only terminable prior to the expiry of that term in the event of a material breach of its terms by Diurnal Limited or Diurnal Limited becoming insolvent, both matters which are largely within the Group's control. Assuming that there remains a willingness at the relevant time on both sides for Richard Ross to continue to provide such services to the Group, the Directors intend that a new agreement will be entered into in late 2016 in order to secure Richard Ross' ongoing services for the Group. The Company has also entered into the Restrictive Covenant Agreement with Richard Ross pursuant to which he has provided non-compete and non-solicitation restrictive covenants and confidentiality restrictions in favour of the Group that are identical to those in place for the other Executive Directors of the Company. The Company has also entered into an agreement with Richard Ross in respect of his appointment as a statutory director of the Company. This letter of appointment provides that his appointment as a statutory director will be in accordance with the Articles and the Act. It also provides that he will comply with his duties and responsibilities as a statutory director, imposes certain confidentiality obligations on him and confirms that he is not an employee of the Company.

8.8 ***Non-Executive Directors' letters of appointment and fees***

The Company has four Non-Executive Directors, Peter Allen, Sam Williams, John Goddard and Alan Raymond. The following agreements have been entered into between the Non-Executive Directors and the Company, in each case conditional on and commencing from Admission:

(a) Peter Allen has been appointed as Non-Executive Chairman under a letter of appointment dated 21 December 2015. He will also serve as Chairman of the Nomination Committee, a member of the Remuneration Committee and a member of the Audit Committee. Pursuant to these arrangements, Peter receives a fee of £40,000 per annum which will increase to £50,000 per annum following Admission and received a grant of share options in September 2015 with a commitment from the Company to grant further share options on completion of the Placing. Further information is included in paragraph 9.2.5 below.

(b) Sam Williams has been appointed as a Non-Executive Director under a letter of appointment dated 21 December 2015. He will also serve as a member of the Nomination Committee, a member of the Remuneration Committee and a member of the Audit Committee. Pursuant to these arrangements, the Company will pay IP2IPO Limited a fee of £28,800 per annum (net of amounts in respect of PAYE and NIC to be deducted by the Company) for said services.

(c) John Goddard has been appointed as a Non-Executive Director under a letter of appointment dated 21 December 2015. He will also serve as Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee. Pursuant to these arrangements, John Goddard receives a fee of £15,000 per annum and a commitment from the Company to an award of Ordinary Shares on the IPO for which he will pay the aggregate nominal value of such Ordinary Shares when such award is exercised (in accordance with its terms). Further information is included in paragraph 9.2.5 below.

(d) Alan Raymond has been appointed as a Non-Executive Director under a letter of appointment dated 21 December 2015. He will also serve as Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. Pursuant to these arrangements, Alan Raymond receives a fee of £28,800 per annum.

Each Non-Executive Director will be entitled to be reimbursed for all reasonable expenses properly incurred by him in the course of his duties to the Company and has the benefit of indemnity insurance maintained by the Group on his behalf indemnifying him against liabilities he may potentially incur to third parties as a result of his office as Director.

The appointment of each of the Non-Executive Directors is terminable by either the Non-Executive Director or the Company on three months' notice. All fees described above are subject to annual review.

Each Non-Executive Director has entered into an indemnity in favour of the Company in respect of any liability arising from any employment-related or worker status claims including, without limitation, any income tax, National Insurance and social security contributions.

Save as set out in paragraphs (a) to (d) above, there are no existing or proposed service agreements between any of the Non-Executive Directors and the Company or any of its subsidiaries that provide for benefits on termination of appointment. The letters of appointment referred to above contain entire agreement clauses to this effect.

9. Incentive Schemes

9.1 ***General policy for Executive Directors and senior managers' incentives***

Annual bonus

From the current financial year, it is intended that any annual bonus for Executive Directors will be paid in cash up to a specified target bonus level and (if relevant) in the form of "deferred share awards" in relation to the portion of any bonus in excess of such target bonus level.

Deferred share awards will be awarded under the deferred share award feature of the LTIP, the key terms of which are set out in paragraph 9.2.1 below.

The number of Ordinary Shares comprised within deferred share awards would be set on grant to equal such number equal in value to the portion of the bonus being deferred (adjusted as necessary to neutralise the cost of exercise where awards are structured as nominal cost options as relevant).

Such deferred share awards to Executive Directors will ordinarily vest after one year, subject only to continued employment.

Annual bonuses are payable at the sole discretion of the Remuneration Committee and it is currently intended that they will initially be capped at 100 per cent. of salary for the Chief Executive Officer and 70 per cent. of salary for the Chief Financial Officer.

The Remuneration Committee will set performance targets for the annual bonus plan at the start of each financial year.

Performance share awards

It is currently intended that the primary long-term incentive arrangement for Executive Directors and selected senior managers will be delivered in the form of "performance share awards" under the performance share award feature of the LTIP. Awards would be granted on an annual basis (ordinarily shortly following announcement of annual results).

Such awards are currently planned at the level of awards over Ordinary Shares on grant equal in value to up to 100 per cent. of base salary (adjusted as necessary to neutralise the cost of exercise where awards are structured as nominal cost options as relevant).

The first performance share awards to Executive Directors under the LTIP will be made following the announcement of the Group's annual results for the financial year ending 30 June 2016 up to such level.

In the normal course of events, such performance share awards under the LTIP will vest three years from award (or upon the assessment of performance conditions, if later) subject to the participant's continued service and to the extent to which performance conditions specified for the awards are satisfied.

Details of the performance conditions for each award to Executive Directors will be disclosed in the relevant Directors' Remuneration Report to the extent that the performance conditions are not considered commercially sensitive in the opinion of the Remuneration Committee.

Selected senior managers and, at the Remuneration Committee's discretion, other employees will also participate in the performance share award element of the LTIP.

A summary of the principal terms of the LTIP is set out in paragraph 9.2.1 below.

Recovery and withholding provisions

Recovery and withholding provisions (also known as "clawback and malus'' provisions) may be operated at the discretion of the Remuneration Committee in respect of awards granted under the annual bonus plan and the LTIP in certain circumstances (including where there has been a misstatement of accounts, an error in assessing any applicable performance condition or in the event of misconduct on the part of the participant).

Share ownership guidelines

The Company has adopted formal shareholding guidelines in order to encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company equivalent in value to no less than 100 per cent. of salary (from time to time).

Ordinary Shares held on Admission, together with any Ordinary Shares acquired following Admission, will count towards the threshold. If an Executive Director does not meet the guideline, he will be expected to retain at least half of the net Ordinary Shares vesting under the Company's discretionary share based employee incentive schemes until the guideline is met.

9.2 ***Share Incentive Schemes***

A description of the Share Incentive Schemes which the Group will operate with effect from Admission is set out below.

Up to 3,736,000 Ordinary Shares may be issued under the share option arrangements described at paragraphs 9.2.2, 9.2.3 and 9.2.4 of this Part 7 (subject to Note 3 of the table at paragraph 8.5 above). In addition, Peter Allen and John Goddard will be entering into arrangements (described at paragraph 9.2.5 in this Part 7) following Admission pursuant to which they will be entitled to subscribe for, in aggregate, 136,795 Ordinary Shares.

Following Admission, the aggregate 3,872,795 Ordinary Shares under option or awards will represent 7.4 per cent. of the Enlarged Share Capital, being awards granted under the arrangements described in paragraphs 9.2.2, 9.2.3, 9.2.4 and 9.2.5 of this Part 7. In addition, the Company may also issue (or grant rights to issue) up to 10 per cent. of the issued ordinary share capital of the Company from time to time, as set out in Note 3 of the table at paragraph 8.5 above, or under the LTIP (further described at paragraph 9.2.1 of this Part 7), in any ten calendar year period following the Admission.

9.2.1 *The Diurnal Group plc Long Term Incentive Plan (the "LTIP")*

The LTIP was adopted by the Board on 18 December 2015, conditional on Admission.

The LTIP will provide for share based incentive awards to selected employees of the Group.

Operation and Eligibility

The Remuneration Committee will supervise the operation of the LTIP. Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

Grant of awards under the LTIP

The Remuneration Committee may grant the following types of awards to acquire Ordinary Shares under the LTIP: (i) performance share awards; (ii) restricted share awards; (iii) deferred bonus awards; and (iv) market value option awards.

Performance share awards, restricted share awards and deferred bonus awards may be structured either as conditional share awards or as nil (or nominal) cost options.

Market value option awards may be awarded as non-tax advantaged market-priced options or as tax-advantaged CSOP or EMI options (the latter under the CSOP and EMI parts of the LTIP, see below). EMI options may also be granted as nil (or nominal) cost options to deliver any other award type under the Plan (for example, performance share awards).

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Timing of grants

The Remuneration Committee may grant awards within six weeks following the Company's announcement of the Group's results for any period. The Remuneration Committee may also grant awards at any other time when it considers there to be exceptional circumstances which justify the granting of awards.

The first awards under the LTIP are performance share awards planned for grant to the Executive Directors and other staff shortly following the announcement of the annual results for the financial year of the Group ending 30 June 2016.

Individual limits

An employee may not receive performance share awards, restricted share awards or market value option awards in aggregate in any financial year over Ordinary Shares having a market value in excess of 150 per cent. of their annual basic salary in that financial year or, in exceptional circumstances, such higher percentage of annual basic salary as the Remuneration Committee may specify for such purposes.

An employee may not receive any deferred bonus awards in any financial year over Ordinary Shares having a market value in excess of the value of the portion of their annual bonus being deferred under the LTIP.

Market value for the purposes of the above limits shall be based on the market value of Ordinary Shares on the dealing day immediately preceding the grant of an award (or by reference to a short averaging period).

The above limits shall not count additional Ordinary Shares added to awards to neutralise the cost of exercise where awards are structured as nominal cost options as relevant.

Performance conditions

The extent of vesting of any performance share awards or market value option awards granted to Executive Directors will be subject to performance conditions set by the Remuneration Committee and may be so in the case such awards to others.

No performance conditions shall apply in the case of restricted share awards and deferred bonus awards.

Details of the performance conditions for each award to Executive Directors will be disclosed in the relevant Directors' Remuneration Report to the extent that the performance conditions are not considered commercially sensitive in the opinion of the Remuneration Committee.

The Remuneration Committee may vary the performance conditions applying to existing awards if an event has occurred which causes the Remuneration Committee to consider that it

would be appropriate to amend the performance conditions to take account of such factors as it considers appropriate.

Vesting of awards

Performance shares awards, restricted share awards and market value options normally vest on the third anniversary of grant or, if later, when the Remuneration Committee determines the extent to which any performance conditions have been satisfied.

Deferred bonus awards normally vest on the first anniversary of grant.

The Remuneration Committee may specify different vesting periods in relation to awards granted to participants who are not Executive Directors.

Where awards are granted in the form of options, once vested, such options will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier.

Shorter exercise periods shall apply in the case of "good leavers" and/or vesting of awards in connection with corporate events.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or ceasing to be a director within the Group.

However, if the participant ceases to be an employee or a director within the Group because of his death, injury, disability, retirement, redundancy, his employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then their award will ordinarily vest on the date when it would have vested if he/she had not so ceased.

The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions (if any) have been satisfied over the full performance period; and (ii) the pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Group for one of the "good leaver" reasons specified above (or in other circumstances at the discretion of the Remuneration Committee), the Remuneration Committee can decide that their award will vest on cessation, subject to: (i) the performance conditions measured at that time; and (ii) the pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances. Such treatment shall also apply in the case of death.

Corporate events

In the event of a takeover or winding-up of the Company (not being an internal corporate reorganisation), all awards will vest early, subject to: (i) the extent that the performance conditions (if any) are determined as satisfied at that time on such basis as the Remuneration Committee considers appropriate (which may include regard to forecasted performance); and (ii) the pro-rating of the awards to reflect the period of time between their grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in another company unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Dividend equivalents
The Remuneration Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Ordinary Shares between the time when the awards were granted and the time when they vest. This amount may assume the reinvestment of dividends.

Recovery and withholding
In the case of performance share awards, restricted share awards and market value option awards, the Remuneration Committee may decide that the LTIP's recovery and withholding provisions shall apply if, within three years of the vesting of any such award, it is discovered that the award vested to a greater extent than was warranted as a result of a material misstatement in the Group's financial results, an error in assessing any applicable performance condition and/or in the event of the discovery of pre-vesting gross misconduct.

In the case of deferred bonus awards, the Remuneration Committee may decide that the LTIP's recovery and withholding provisions shall apply if, within three years of the grant of any such award, it is discovered that the award was granted to a greater extent than warranted as a result of a material misstatement in the Group's financial results, an error in assessing any applicable bonus condition and/or in the event of the discovery of pre-vesting gross misconduct.

The recovery and withholding may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards and/or a requirement to make a cash payment.

Cash settlement
The Remuneration Committee may decide to satisfy awards in cash, although it does not currently intend to do so.

Life of LTIP
An award may not be granted more than 10 years after the date on which the LTIP was adopted.

Participants' rights
Awards will not confer any shareholder rights until the awards have vested or the options have been exercised, as relevant, and the participants have received their Ordinary Shares.

Rights attaching to Ordinary Shares
Any Ordinary Shares allotted in relation to the LTIP will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Adjustment to awards
In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee or Board, as relevant, may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

Overall limit

The LTIP may operate over new issue Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10.0 per cent. of the issued ordinary share capital of the Company under the LTIP and any other (executive or otherwise) share incentive plan adopted by the Company.

Ordinary Shares held in treasury will count as new issue Ordinary Shares for the purposes of this limit unless UK best practice corporate governance guidelines cease to require treasury Ordinary Shares held in treasury to be counted for such purposes.

Ordinary Shares issued or to be issued under awards or options granted under incentives operated or terms agreed, including as set out in paragraph 9.2.5 below, before Admission will not count towards this limit (other than as described in Note 3 to the table at paragraph 8.5 above).

Alterations

The Remuneration Committee may, at any time, amend the LTIP in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of Ordinary Shares held in treasury, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award amended in line with its terms.

Overseas plans

The LTIP allows the Remuneration Committee or Board to establish further plans for overseas territories, any such plan to be similar to the LTIP (or any of its elements), but modified to take account of local tax, exchange control or securities laws, provided that any Ordinary Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the LTIP.

The CSOP and EMI parts of the LTIP

It is intended that the CSOP and EMI parts of the LTIP will meet the requirements of Schedule 4 and Schedule 5 respectively to ITEPA as amended and re-enacted from time to time in order to provide flexibility for UK tax-advantaged market value options (and, in the case of the EMI part, also awards structured as tax-advantaged nil (or nominal) cost options) to UK employees.

The terms of the CSOP element of the LTIP materially follow the terms of the LTIP as they apply to non-tax advantaged market-priced options save for differences to take account of the requirements of Schedule 4 and certain design distinctions.

Such main differences include, in summary: (i) any Executive Director participants must be full-time employees; (ii) no more than £30,000 worth of outstanding Schedule 4 tax-advantaged options may be held by any one participant at any time; (iii) the option price for such options shall be set by reference to a market value basis agreed with HMRC; (iv) such options shall not ordinarily be exercisable until the third anniversary of grant; (v) the "good leaver" reasons shall comprise cessation of service by reason of injury, disability, redundancy,

retirement, relevant TUPE transfer, or his employing company ceasing to be controlled by the Group; (vi) no dividend equivalent feature; (vii) more limited adjustment to award powers; (viii) no application of the recovery and withholding provisions; and (ix) no cash settlement provisions.

The terms of the EMI element of the LTIP materially follow the terms of the LTIP as they apply to non-tax advantaged awards structured as options save for differences to take account of the requirements of Schedule 5 and certain design distinctions.

Such main differences include, in summary: (i) eligibility is restricted to employees that work at least 25 hours per week or otherwise commit at least 75 per cent. of their working time to qualifying employment; (ii) no more than £250,000 worth of outstanding Schedule 5 tax-advantaged options may be held by any one participant at any time nor more than £3 million worth, in aggregate, by all participants under the EMI part; (iii) any use of the dividend equivalent feature would be paid outside of the EMI part; (iv) more limited adjustment to award powers; (v) no application of the recovery and withholding provisions; and (vi) no cash settlement provisions.

9.2.2 *New Share Option Agreements*

On 23 September 2015, Diurnal Limited entered into New Share Option Agreements with one sub-contractor, one Executive Director and one non-executive director of Diurnal Limited (Hiep Huatan, Richard Ross and Peter Allen, respectively), the principal terms of which are set out below.

Each of the New Share Option Agreements comprises an option over ordinary shares in the capital of Diurnal Limited. It is intended that following Admission, existing options over shares in the capital of Diurnal Limited will be exchanged for replacement options over Ordinary Shares. Following the Reorganisation, the exercise price of these options will be determined but will not be less than £0.002 or more than £0.05 per Ordinary Share.

Exercise of options

Following Admission, an option may be exercised subject to the option having satisfied any time-based vesting conditions. These conditions are that options will vest over one-third of the total shares subject to option, on each of the first, second and third anniversaries of the date of grant.

In the event of a sale of the Company, vesting of an option will accelerate and it will become immediately exercisable.

Exercise of an option is subject to the participant remaining as a sub-contractor, executive director or non-executive director (as applicable) to the Group.

The options will lapse on the tenth anniversary of the date of grant.

Options may not be exercised during any prohibited period specified by the AIM Rules. If an option holder ceases to be a sub-contractor, executive director or non-executive director (as applicable) or gives or is given notice to terminate his appointment, then the option shall cease to be capable of exercise. The Remuneration Committee may, within a period of two calendar months from the date an option holder ceases to be a sub-contractor, executive director or non-executive director (as applicable) or gives/is given notice to terminate his appointment, in its absolute discretion, determine that an option shall not lapse and may be retained for a period determined by the Remuneration Committee. If the Remuneration Committee does not exercise its discretion, then the relevant option will lapse in full at the end of the two calendar month period.

Adjustments
The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital.

Other option terms
The exercise of an option may be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder which has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.
Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise.

No amendments may be made to the provisions of a New Share Option Agreement without the agreement of the optionholder and the Company.

There are no performance criteria under the New Share Option Agreements.

9.2.3 *The Diurnal Share Option Scheme 2015 (the "Option Scheme")*

Status of the Option Scheme
The Option Scheme was adopted by Diurnal Limited on 10 September 2015.

Each subsisting option was granted over ordinary shares in the capital of Diurnal Limited. It is intended that following the Share-for-Share Exchange (as described in paragraph 2.8 of this Part 7), existing options over shares in the capital of Diurnal Limited granted pursuant to the Option Scheme will be exchanged for replacement equivalent options over Ordinary Shares. For the purposes of the Option Scheme, following the grant of a replacement equivalent option, the terms of the Option Scheme shall also apply to the Ordinary Shares which are subject to a replacement equivalent option, as if they were shares in the capital of Diurnal Limited.

Following the Reorganisation, the exercise price of these options will be £0.4377 per Ordinary Share.

Exercise Price
The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to Shareholders to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital.

Exercise of options
Following Admission, an option may be exercised subject to the option having satisfied any time-based vesting conditions. These conditions are that options will vest over one-third of the

total shares subject to option, on each of the first, second and third anniversaries of the date of grant.

In the event of a sale of the Company, vesting of an option will accelerate and it will become immediately exercisable.

Normally, exercise of an option is subject to the participant remaining an employee with the Group. If an option holder ceases to be an employee (whatever the circumstances) or gives, or is given, notice to terminate his employment within the Group, then all options held by him shall cease to be capable of exercise. The Remuneration Committee may, within a period of two calendar months from the date an employee ceases employment or gives/is given notice to terminate his employment, in its absolute discretion, determine that an option shall not lapse and may be retained for a period determined by the Remuneration Committee. If the Remuneration Committee does not exercise its discretion, then all options held by the option holder will lapse in full at the end of the two calendar month period.

No option is capable of exercise more than 10 years after its date of grant and options will lapse on the tenth anniversary of their date of grant.

Options may not be exercised during any prohibited period specified by the AIM Rules.

Other option terms

The exercise of an option may be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing Shareholder which has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distributions payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise.

Benefits obtained under the Option Scheme are not pensionable.

Administration and amendment

The Option Scheme is administered by the Remuneration Committee.

The Board may resolve to amend the provisions of the Option Scheme. However, no amendments may be made to the provisions of the Option Scheme which shall adversely affect any subsisting options except with the written consent of option holders holding subsisting options over at least 75 per cent. of the total number of Ordinary Shares subject to all subsisting options under the Option Scheme.

If, in the reasonable opinion of the Board, the proposed amendments do not adversely affect all subsisting options under the Option Scheme, amendments may be made with the written consent on the part of such option holders as hold subsisting options that are affected, as long as such options are over at least 75 per cent. of the total number of Ordinary Shares that are subject to all subsisting options which are affected.

Termination

The Option Scheme may be terminated at any time by resolution of the Board and shall, in any event, terminate on the tenth anniversary of its adoption so that no further options can be

granted under the Option Scheme after such termination although, as noted, it is not intended in any event to grant any options under the Option Scheme after Admission. Termination shall not affect the outstanding rights of existing option holders.

9.2.4 *Old Share Option Agreements*

In the period from November 2007 to August 2012, Diurnal Limited entered into a number of Old Share Option Agreements, the principal terms of which are set out below.

Each of the Old Share Option Agreements comprises an option over ordinary shares in the capital of Diurnal Limited. Immediately following the Share-for-Share Exchange (as described in paragraph 2.8 of this Part 7), the existing options over shares in the capital of Diurnal Limited will be exchanged for replacement options over Ordinary Shares. Following the Reorganisation, the exercise price of these options will be determined but will not be less than £0.002 or more than £0.05 per Ordinary Share.

Exercise of options
Following the Share-for-Share Exchange, an option may be exercised at any time, but if it is not exercised it will lapse three months thereafter.

Adjustments
The exercise price and the number of Ordinary Shares under option may be adjusted by the Board in the event of any variation of the share capital of the Company, the declaration of a special dividend or a demerger of part of the Company's business.

Amendments
No amendments may be made to the provisions of a New Share Option Agreement without the agreement of the optionholder and the Company.

Other option terms
The exercise of an option may be satisfied by either the issue of Ordinary Shares or the transfer of Ordinary Shares held by an existing Shareholder that has agreed to satisfy the exercise of the option.

Options are not capable of transfer or assignment.
Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank pari passu in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise.

9.2.5 *Proposed Share Option Agreement and award of Ordinary Shares to John Goddard*

To deliver terms agreed in connection with their recruitment, Peter Allen shall enter into the Proposed Share Option Agreement and John Goddard shall be awarded Ordinary Shares on or following Admission.

The Proposed Share Option Agreement for Peter Allen will entitle Peter Allen to subscribe for such number of Ordinary Shares, at a subscription price to be determined by which will be not less than £0.002 or more than £0.05 per Ordinary Share under option, that equals the lesser of 0.2 per cent. of the issued Ordinary Shares at Admission and £200,000 divided by the Placing Price, being 104,421 Ordinary Shares.

The terms of the Proposed Share Option Agreement shall otherwise be the same as described for the New Share Option Agreement in paragraph 9.2.2 above including as to vesting on their terms over one-third of the total shares under option on each of the first, second and third anniversaries of the date of grant. There are no performance criteria under the Proposed Share Option Agreement.

The award of Ordinary Shares to Mr Goddard comprises an award of Ordinary Shares equal to £45,000 (adjusted for the aggregate nominal value of the relevant Ordinary Shares to be paid by Mr Goddard) divided by the Placing Price, representing 32,374 Ordinary Shares, that will vest in thirds after 18, 24 and 36 months from Admission. Mr Goddard will pay the nominal value for each Ordinary Share he receives pursuant to exercise of the award. There are no performance criteria for this award of Ordinary Shares.

9.2.6 *The Diurnal Group plc Employee Benefit Trust*

The Company may establish an employee benefit trust ("**EBT**") to assist with the administration of the Share Incentive Schemes. If it does so, the EBT will be constituted by a trust deed to be entered into between the Company and a professional trust company resident outside the United Kingdom. The Company would have the power to appoint and remove the trustee. The EBT would be a discretionary settlement set up for the benefit of Executive Directors, employees, former employees and former executive directors (and their immediate dependants) of the Group. The settlement would be created by the vesting of trust property in the trustee.

The trustee may either purchase existing Ordinary Shares in the market or subscribe for new Ordinary Shares. The maximum number of Ordinary Shares which may be held by the trustee of the EBT at any time may not exceed five per cent. of the Company's issued share capital at that time.

10. Related party transactions

The following arrangements which have been entered into since 28 May 2012 constitute related party transactions:

10.1 The Company has entered into the service contracts, letters of appointment and other contractual arrangements described at paragraphs 8.7 and 8.8 above.

10.2 The Company has entered into the Existing Investment Agreement, the Interim Investment Agreement, the Existing Investment Agreement Termination Deed and the Interim Investment Agreement Termination Deed, the other parties to which are Shareholders.

10.3 The Company has entered into the Convertible Loan Agreement, the other party to which is IP2IPO, a Shareholder.

10.4 The Company is party to the IPC Engagement Letter with IP Capital, as more particularly described at paragraph 12.7 below, pursuant to which it is required to pay a fee of £50,000 (exclusive of VAT) to IP Capital upon the occurrence of a successful fundraising on or before 31 December 2015. The Company has elected to pay this fee in cash.

10.5 During the financial period ended 30 June 2015, Diurnal Limited purchased management services from, and paid monitoring fees to the IPG Holders totalling £149,505 (2014: £37,500) pursuant to the terms of the Existing Investment Agreement and other contractual arrangements. Fusion also recharged expenses to Diurnal Limited totalling £8,348 in the period (2014: £1,397). At the end of the financial period ended 30 June 2015, Diurnal Limited owed the IPG Holders £40,008 (2013: £440).

10.6 During the financial period ended 30 June 2015, Diurnal Limited incurred monitoring fees to Finance Wales, Ridings Early Growth Investment Company Limited, Sarum Investment SICAV Plc and Simm Investments Ltd, Shareholders in the Company, totalling £82,895 (2014: £24,000), £3,600 (2014: £3,600), £3,000 (2014: £18,000) and £nil (2014: £12,000), respectively, in each case, pursuant to the

terms of the Existing Investment Agreement. At the end of the financial period ended 30 June 2015, Diurnal Limited owed Finance Wales £2,400 (2014: £2,400), Ridings Early Growth Investment Company Limited £nil (2014: £nil), Sarum Investment SICAV Plc £nil (2014: £1,500) and Simm Investments Ltd £nil (2014: £nil).

10.7 During the financial period ended 30 June 2015, Diurnal Limited purchased consultancy services from, and incurred related costs totalling £25,820 (2014: £23,687) to, Silenicus Limited, a company in which Dr Keith Bryett, a former director of Diurnal Limited and option holder in the Company, was a director. As at 30 June 2015, Diurnal Limited owed Silenicus Limited £nil (2014: £2,014).

Please see note 23 to the historical financial information of Diurnal Limited set out in Section B of Part 5 of this document for further information.

11. Commercial and collaborative agreements

Set out below are summaries of commercial and collaborative agreements which have been entered into by any member of the Group within the two years immediately preceding the date of this document and which are, or may be, material to the Group or have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

11.1 ***TAIN project agreements***

Diurnal Limited is a party to a Consortium Agreement and Grant Agreement, both of which are governed by Belgian law, in relation to the TAIN project. This project, which is to continue until the end of November 2016, is funded by the European Commission (the "**EC**") and relates to the conduct of Phase II and III clinical trials for Infacort®. The Consortium Agreement and Grant Agreement continue in force until all parties have discharged their obligations under the project.

11.1.1 *Consortium Agreement*

The Consortium Agreement is between Diurnal Limited and the other parties to the project consortium. Those parties are the University (which is the co-ordinator of the project), Symcyp Limited, Charite – Universitaetsmedizin Berlin, Glatt, Genetic Alliance UK Limited and the University of Birmingham. The Consortium Agreement governs how the project is to be conducted and what work is to be conducted by each of the consortium parties. The Consortium Agreement can only be terminated early where the EC terminates the Grant Agreement (see below). An individual consortium party's involvement in the project can also be terminated in the event that it fails to remedy a material breach of the agreement and the other non-defaulting parties consent (on the basis of 75 per cent. or more of the votes that can be cast by each party according to their funding share).

Under the Consortium Agreement, Diurnal Limited owns all intellectual property that it creates or which is created for it.

11.1.2 *Grant Agreement*

The Grant Agreement was entered into by the University and the EC and each consortium party (including Diurnal Limited) has acceded to its terms and is therefore a party to it. Under the Grant Agreement, the Group has received approximately €1.5 million of grant funding on standard EC terms and conditions and no further funding is likely to be drawn down (other than a further €0.2 million at the expiry of the Grant Agreement which is the subject of a retention). These terms and conditions provide as follows:

- the EC can carry out financial and technical audits on each of the consortium parties for up to five years after the conclusion of the project;
- the EC can impose financial penalties (up to 20 per cent. of funding received by a party) where a party has seriously failed to meet its obligations under the project; and

- the EC may terminate the Grant Agreement (or the participation of a party in the project) in a range of scenarios, including where: (a) there is a breach of a substantial obligation imposed under the Grant Agreement which is unremedied; (b) reporting requirements to the EC are not met; or (c) where a change in control of a consortium party substantially affects the carrying out of the project. In the above cases, the EC can also require reimbursement (claw-back) of the funding that it has provided.

11.2 ***Arrangements with Glatt***

On 23 August 2012, Diurnal Limited entered into a development agreement with Glatt under which Glatt provides a range of pharmaceutical services (including manufacturing services) to the Group. This agreement is governed by German law and is to continue in place until the end of August 2019 although it may be terminated by either party earlier on a period of notice or in the event of material breach or insolvency by the other. The Company owns all intellectual property generated under the agreement in accordance with its terms.

Separately, Diurnal Limited acquired, by way an assignment governed by German law dated 3 April 2014, Glatt's rights in a patent filed jointly by Diurnal Limited and Glatt which relates to the formulation for its Infacort® product candidate that was developed between Diurnal Limited and Glatt, and all rights in patents based on that original patent are owned exclusively by the Group. Pursuant to the agreement under which Diurnal Limited acquired rights from Glatt, Glatt is granted an exclusive licence to manufacture Infacort® product for Diurnal Limited (although this licence can be terminated upon reimbursement of Glatt's wasted costs up to a capped level) and may exercise a right of buy back where Diurnal Limited decides not to market Infacort®.

Please see paragraph 2.5 of Part 3 of this document under the heading "*The Group relies on third parties to conduct non-clinical and clinical trials, for the manufacture of its product candidates for clinical trials, as well as for the provision of other services, and if such third parities perform in an unsatisfactory manner, there may be an adverse effect on the Group's business*" for certain risks associated with the Group's arrangements with Glatt.

11.3 ***CRO agreement with Charles Campbell Associates (2000) Limited***

Diurnal Limited has engaged Charles Campbell Associates (2000) Limited ("**CCA**") as a contract research organisation ("**CRO**") under a master agreement dated 1 July 2014. Under this agreement, which is governed by English law, CCA agrees to project manage the Group's clinical trials, to deliver a range of services and to meet a range of regulatory responsibilities regarding those trials.

Under this master agreement, the parties are to agree task orders which fall subject to the agreement. Diurnal Limited and CCA have agreed task orders for all current trial work and the master agreement shall continue until two years after completion of all work under existing task orders. The Group owns all intellectual property created exclusively for it pursuant to this agreement.

12. Material contracts

Set out below is a summary of (i) each material contract (other than contracts entered into in the ordinary course of business) to which the Company or any member of the Group is a party which has been entered into within the two years immediately preceding the date of this document; and (ii) any other contract (other than contracts entered into in the ordinary course of business) entered into by any member of the Group which contains obligations or entitlements which are or may be material to the Group as at the date of this document:

12.1 in connection with the Reorganisation:

12.1.1 on 1 December 2015, the Company and Diurnal Limited shareholders (either personally or by duly appointed attorneys) entered into the Share-for-Share Exchange Agreement pursuant to which each of the Diurnal Limited shareholders agreed to sell their entire holdings of ordinary shares and/or B shares in the capital of Diurnal Limited in consideration for the issue to them, fully paid, of 500 Intermediate Ordinary Shares and/or 500 B Shares (as the case may be) for

each ordinary share and/or B share in the capital of Diurnal Limited held by them in corresponding proportions to their holdings of the equivalent shares in Diurnal Limited. As the Company's initial subscriber, Richard Ross' entitlement to Intermediate Ordinary Shares under the Share-for-Share Exchange Agreement was reduced by the two Intermediate Ordinary Shares already held by him at such time so as to ensure that his proportionate holding in the Company following the Share-for-Share Exchange would be the same as it was in Diurnal Limited immediately prior to the Share-for-Share Exchange. Pursuant to the terms of the Share-for-Share Exchange Agreement, each of the shareholders in Diurnal Limited transferred beneficial ownership of their shares to the Company and appointed it as their attorney to exercise all of their voting rights in relation to Diurnal Limited. The Company is the beneficial owner only of the shares in Diurnal Limited until its application for stamp duty relief in connection with the Share-for-Share Exchange has been approved by HMRC and its name entered in the register of members of Diurnal Limited, at which time it will also become the holder of legal title to the entire issued share capital of Diurnal Limited. The Share-for-Share Exchange Agreement is governed by English law;

12.1.2 on 1 December 2015, the Company and the Diurnal Limited shareholders at such time (either personally or by duly appointed attorneys) entered into the Existing Investment Agreement Termination Deed, pursuant to which they agreed to terminate the Existing Investment Agreement, as a consequence of the Share-for-Share Exchange and agreed to waive any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, and to release each other party from any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, in respect of, or arising out of, the Existing Investment Agreement or otherwise (other than in respect of monitoring fees payable under the terms of the Existing Investment Agreement accrued but unpaid as at the date of its termination) with effect from the date of the Existing Investment Agreement Termination Deed (save in respect of any claims for breach of any of the warranties given under the Existing Investment Agreement, the waiver and release of claims in respect of which was expressed to be conditional on Admission occurring). The Existing Investment Agreement Termination Deed is governed by English law; and

12.1.3 on 21 December 2015, the Company and the shareholders of the Company following the completion of the Share-for-Share Exchange (either personally or by duly appointed attorneys) who had entered into the Interim Investment Agreement (as referred to at paragraph 2.7.5 above) entered into the Interim Investment Agreement Termination Deed, pursuant to which they agreed to terminate the Interim Investment Agreement and to waive any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, and to release each other party from any and all obligations, covenants, representations, warranties, indemnities, undertakings and claims, in respect of, or arising out of, the Existing Investment Agreement or otherwise (other than in respect of monitoring fees payable under the terms of the Interim Investment Agreement accrued but unpaid as at the date of its termination) conditional upon and with effect from Admission. The Interim Investment Agreement Termination Deed is governed by English law;

12.2 a nominated adviser and broker agreement dated 21 December 2015 and made between (1) the Company and (2) Numis pursuant to which the Company has appointed Numis to act as Nominated Adviser and broker to the Company for the purposes of the AIM Rules. Subject to certain customary rights of Numis to terminate the agreement with immediate effect (such as material breaches of the AIM Rules and fraudulent acts of the Company), the agreement is terminable upon not less than one month's prior written notice by either the Company or Numis. In return for its services as Nominated Adviser and Broker under this agreement, the Company has agreed to pay Numis an annual fee (exclusive of VAT) (such fee to increase in accordance with the CPI). Additionally, the Company has agreed to pay all costs and expenses properly incurred by Numis in connection with its appointment. Under the agreement, the Company has given certain customary warranties, confirmations, undertakings and indemnities to Numis in connection with its appointment as the Nominated Adviser

and broker to the Company for the purposes of the AIM Rules. The agreement is governed by English law;

12.3 on 21 December 2015, the Company, the Directors and Numis entered into the Placing Agreement. Pursuant to the Placing Agreement, Numis has agreed as agent for the Company to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, on Admission taking place not later than 31 March 2016 (or such later date as Numis and the Company may agree). The issue of the EIS Placing Shares is not conditional upon Admission. Under the Placing Agreement:

12.3.1 the Company has agreed to pay Numis advisory fees and commissions (exclusive of VAT) in connection with the Placing;

12.3.2 the Company has agreed to pay all other costs and expenses of the Placing and the related arrangements together with value added tax on such costs;

12.3.3 the Company and the Directors have given certain warranties to Numis as to the accuracy of the information in this document and as to other matters relating to the Group and its business (which are to be repeated at Admission) and the Company has provided certain customary indemnities to Numis in respect of certain liabilities arising out of or in connection with the Placing and the performance of Numis' services in connection with the Placing and Admission as well as having given certain customary undertakings in favour of Numis in respect of its activities for specified periods post-Admission (such as agreeing not to effect further share issuances for a specified period); and

12.3.4 the Placing Agreement may be terminated by Numis if certain customary circumstances occur prior to Admission including a breach of the warranties referred to above and on the occurrence of certain events of force majeure at any time prior to Admission.

The Placing Agreement is governed by English law;

12.4 in accordance with Rule 7 of the AIM Rules, the AIM Rule 7 Holders have entered, or will prior to Admission enter, into Lock-in Agreements between (1) the Company, (2) Numis and (3) the relevant AIM Rule 7 Holders, representing, in aggregate, 36,977,485 Ordinary Shares and 70.82 per cent. of the Enlarged Share Capital, pursuant to which each of the AIM Rule 7 Holders has undertaken, or will undertake, to Numis that they shall not, subject to certain exceptions, sell, transfer, grant any option over or otherwise dispose of the legal, beneficial or any other interest in any Ordinary Shares ("**Interest**") (or rights arising from any such shares or other securities or attached to any such shares) (together, the "**Restricted Shares**") prior to the date which is 18 months from Admission (the "**Initial Period**"). In order to maintain an orderly market in the Ordinary Shares, each of the AIM Rule 7 Holders has also undertaken, or will undertake, to Numis that they shall (subject to certain exceptions), for a period of 12 months following the expiry of the Initial Period, only dispose of any Interest in the Restricted Shares through the Company's broker (from time to time), to ensure an orderly market;

12.5 Lock-in Agreements between (1) the Company, (2) Numis and (3) certain Existing Shareholders representing, in aggregate, 1,516,916 Ordinary Shares and 2.9 per cent. of the Enlarged Share Capital, pursuant to which such Existing Shareholders have undertaken to Numis that they shall not, subject to certain exceptions, sell, transfer, grant any option over or otherwise dispose of any other Interest in any Restricted Shares held by them for a period of six months from Admission. These Lock-in Agreements do not contain any orderly market restrictions following the expiry of the initial six month lock-in period;

12.6 the Relationship Agreements, in each case dated 21 December 2015 and having effect from Admission, pursuant to which each of the IPG Holders and Finance Wales has agreed that, for so long as each of them, across their various entities (together with their respective associates), is a substantial shareholder (being a shareholder holding in excess of 25 per cent. of the issued share capital of the Company), the Company will be capable of carrying on its business independently of it and that all

future transactions between the Company and the IPG Holders or Finance Wales, respectively, will be at arm's length.

In addition, under the Relationship Agreements, each of the IPG Holders and Finance Wales has the power, for so long as the IPG Holders or Finance Wales, as the case may be, hold 10 per cent. or more of the Company's issued share capital, to appoint one Director to the Company's Board, and to remove and replace that Director as it sees fit from time to time (conditional on the approval of the Company's Nominated Adviser at that time). At the time of Admission, the nominated Director (on behalf of the IPG Holders) is Sam Williams and the nominated Director (on behalf of Finance Wales) is Alan Raymond.

In addition, under the Relationship Agreements, any transaction, arrangement or agreement between any part of the Group and the IPG Holders or Finance Wales, as the case may be (or persons connected to them), must have the prior approval of the Board (with any Director appointed by the IPG Holders or Finance Wales, as the case may be, abstaining from any such resolution).

As Finance Wales will only hold 11,534,888 Ordinary Shares, in aggregate, representing 22.09 per cent. of the Enlarged Share Capital at Admission, the provisions referred to in the preceding paragraphs will not apply to it with effect from Admission and will only become effective if and when the shareholding threshold referred to above is crossed.

The Relationship Agreements are governed by English law.

The Directors believe that the terms of the Relationship Agreements will enable the Company to carry on its business independently from the IPG Holders, Finance Wales and their respective associates and ensure that all transactions and relationships between them and the Company are, and will be, at arm's length and on a normal commercial basis;

12.7 the IPC Engagement Letter, pursuant to which the Company has engaged IP Capital to provide certain advisory services in connection with a proposed fundraising to be completed by it prior to 31 December 2015. Pursuant to the IPC Engagement Letter, IP Capital will receive a fee from the Company of £50,000 (exclusive of VAT). The Company is entitled (at its discretion) to satisfy the fee either by payment in cash or by the issue of such number of Ordinary Shares to IP Capital as is equivalent to the amount of the fee payable divided by the Placing Price (or a combination of cash and Ordinary Shares). The Company has accordingly elected to satisfy the aforementioned fee wholly in cash. The IPC Engagement Letter is terminable at any time by either party on one month's written notice. It contains an indemnity from the Company in favour of IP Capital which is customary for an agreement of this nature. The IPC Engagement Letter is governed by English law;

12.8 the Registrar Agreement, pursuant to which the Registrar has been retained by the Company to maintain its register of members and to provide certain other registration services (including, without limitation, in connection with corporate actions, share dealing and proxy solicitation). The agreement has an initial term of one year with effect from Admission and, at the expiry of this initial period, automatically renews for successive periods of 12 months unless terminated by either party: (i) at the end of the initial or any successive period on three months' prior written notice; (ii) by the service of three months' written notice by either party in the event that they cannot agree the fees payable pursuant to the agreement at any time; or (iii) on written notice in certain specified circumstances such as insolvency or material breach of the agreement by one party or the other which, if capable of remedy, is not remedied within a specified time period. The basic fee payable by the Company to the Registrar is subject to an annual minimum charge of £3,000. In addition, various transfer fees are also payable on the transfer of any Ordinary Shares. This agreement contains customary warranties relating to its due incorporation and capacity given by the Company to the Registrar and a customary indemnity given by the Company in favour of the Registrar. The Registrar Agreement is governed by English law;

12.9 the University Secondment Agreement, pursuant to which the University has agreed to renew the secondment of Richard Ross to Diurnal Limited for a period of two years effective from 1 December 2015 (save where terminated earlier, see below) in consideration for the payment by Diurnal Limited to

the University of a fee equivalent to five per cent. of Richard Ross' gross salary cost to the University from time to time (including pension contribution and employer's National Insurance Contrbutions). The previous five year secondment arrangement expired on 1 December 2015. Under the University Secondment Agreement, Richard Ross is required to spend five per cent. of his normal working hours providing secondment services to Diurnal Limited. Richard Ross remains an employee of the University. Pursuant to the University Secondment Agreement, each of Diurnal Limited and the University have provided each other with reciprocal indemnities in connection with any liabilities that may arise for the other as a result of Richard Ross' performance of his secondment duties or his duties as an employee of the University, respectively. Under the terms of the University Secondment Agreement (as was the case in the previous arrangement), all intellectual property developed by Richard Ross and which arises from his secondment or which otherwise relates to the business of Diurnal Limited is owned by Diurnal Limited. The University Secondment Agreement may be terminated on three months' written notice by the University or, with immediate effect by written notice in the event that Diurnal Limited fails to pay any sum due within 60 days of its due date for payment or an insolvency event occurs in relation to Diurnal Limited. Diurnal Limited has the ability to terminate the University Secondment Agreement with immediate effect on written notice in the event that Richard Ross is guilty of any serious misconduct or is unable to perform his secondment duties for a period of 15 consecutive days for any reason. Either party may terminate the University Secondment Agreement with immediate effect on written notice in the event that Richard Ross ceases to be an employee of the University or the other party commits any material breach of the University Secondment Agreement which it fails to remedy (if capable of remedy) within 30 days of being given written notice by the other party to do so. Any intellectual property rights created by Richard Ross whilst he is performing his secondment duties (and which are not funded by the University) belong absolutely to Diurnal Limited. The University Secondment Agreement is governed by English law;

12.10 the University Research Agreement, pursuant to which the University has been engaged by Diurnal Limited to procure that Richard Ross performs research and development activities directed by Diurnal Limited, including (without limitation), the development and supervision of: Infacort® for the treatment of adrenal insufficiency in neonates and infants; Chronocort® treatment for CAH and adrenal insufficiency in adults and children; the I-CAH patient registry; a novel formulation of testosterone; and the Diurnal endocrine pipeline) for a period of one year from 1 December 2015 on behalf of Diurnal Limited. In consideration for the provision of the programme of research, Diurnal Limited is required to pay to the University a fee equivalent to Richard Ross' annual salary (payable by the University to him as an employee of the University) quarterly in arrear. The programme of research may be terminated by either party on reasonable notice if circumstances beyond its control make the performance of that programme materially different to, or uneconomic compared with, the original programme contemplated when the University Research Agreement was entered into or by either party with immediate effect on written notice to the other in the event that the other party commits a material breach of the University Research Agreement which, if capable of remedy, is not remedied within 30 days of receipt of a notice from the other party requiring it do so or in the event that the other party is the subject of an insolvency event. Pursuant to the University Research Agreement, the University has excluded its liability to Diurnal Limited for certain losses or liabilities that it may incur arising from the programme of research or any deliverables that the University is required to supply to Diurnal Limited in connection therewith, for example, loss of profit or business opportunity, and Diurnal Limited has agreed to indemnify the University against any losses or liabilities it may incur in connection with carrying out the programme of research that arise as a consequence of Diurnal Limited's negligence. The liability of both Diurnal Limited and the University pursuant to the University Research Agreement is capped at the price payable by Diurnal Limited under the University Research Agreement. Pursuant to the University Research Agreement, all background intellectual property used in connection with the programme of research remains the property of the party which introduced it an each party grants the other an irrevocable royalty-free licence to use such of its background and foreground intellectual property as may be necessary to perform the University Research Agreement. Save for copyright in academic publications, all foreground intellectual property created by either party in the performance of the University Research Agreement belongs to Diurnal Limited. The University Research Agreement is governed by English law; and

12.11 the Convertible Loan Agreement, pursuant to which IP2IPO has made available the Convertible Loan to the Company. Pursuant to the terms of the Convertible Loan Agreement, IP2IPO has made the Convertible Loan (in the aggregate principal sum of £4,650,588) available to the Company. The Convertible Loan is interest-free and unsecured. The maturity date of the Convertible Loan is the fifth anniversary of Admission (or such other date as the parties may agree between them in writing) at which time the Company may, at its election, either repay the principal amount then outstanding in full or convert such amount into non-voting shares in the capital of the Company of a lower nominal value to that of the Ordinary Shares on terms to be agreed at such time, provided that IP2IPO would not, as a result: (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and section 995 of the ITA 2007) of the Company; or (iii) become subject to an obligation (together with any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code.

IP2IPO may, by written notice to the Company, convert such amount outstanding pursuant to the Convertible Loan into such number of Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount elected to be converted at the relevant time (provided that any such conversions must be in respect of a minimum amount of principal of £100,000) divided by the Placing Price at any time during the term of the Convertible Loan Agreement save where to do so would cause it to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 of ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 of the ITA 2007) of the Company; or (iii) give rise to an obligation IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code.

Upon the occurrence of a sale of any of the shares of the Company which will result in the buyer of those shares (or grantee of that right) and persons acting in concert with it together acquiring at least 50 per cent. of the nominal share capital of the Company (except where the shareholders and the proportion of shares held by each of them following completion of the sale are the same as the shareholders and their shareholdings in the Company immediately before the sale), the total amount outstanding pursuant to the Convertible Loan is to be immediately converted into such number of Ordinary Shares as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement save where to do so would cause it to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of sectio 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5 ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 ITA 2007) of the Company; or (iii) give rise to an obligation on IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code.

Upon the occurrence of a sale by the Company of (i) the assets and/or business of the Company representing more than 75 per cent. of the aggregate market value of the Company's assets and business; and/or (ii) assets which would constitute a 'disposal resulting in a fundamental change of business' pursuant to Rule 15 of the AIM Rules, the total amount outstanding pursuant to the Convertible Loan is to be immediately converted, at IP2IPO's election, into such number of Ordinary Shares as equals the principal amount outstanding under the Convertible Loan at the time of such conversion divided by the Placing Price at any time during the term of the Convertible Loan Agreement save where to do so would cause it to (i) hold more than 50 per cent. of the nominal value of the entire issued ordinary share capital of the Company from time to time such that the requirements of section 185(2)(a)(i) ITA 2007 and paragraphs 10, 11, 11A and 11B of Schedule 5

ITEPA 2003 would be breached; (ii) obtain "control" (as defined in section 719 ITEPA 2003 and/or section 995 ITA 2007) of the Company; or (iii) give rise to an obligation on IP2IPO (or any persons with whom it is acting in concert) to make a mandatory cash offer to acquire any shares in the Company not owned or controlled by it or any persons with whom it is acting in concert under Rule 9 of the City Code.

The Convertible Loan Agreement also contains certain events of default (such as the insolvency, or an analogous event, in respect of the Company) which are customary for an agreement of this nature and which entitle IP2IPO to declare the principal amount then outstanding under the Convertible Loan immediately due and payable. In addition, the Company has given certain warranties and undertakings to IP2IPO, for example, in respect of the maintenance of sufficient authorities to permit the exercise of IP2IPO's conversion rights which are customary for an agreement of this nature.

Where certain "adjustment events" occur, such as a capitalisation or any other variation in the share capital of the Company (including any sub-division, consolidation, bonus issue or re-classification of Ordinary Shares or a reduction of share capital), the Convertible Loan Agreement contained provisions providing for the adjustment of (i) the number of Ordinary Shares in respect of which the conversion rights referred to above are exercisable; and/or (ii) the nominal value of the Ordinary Shares to be issued to IP2IPO on exercise of such conversion rights (so that such nominal value becomes the same as for all other Ordinary Shares after the relevant adjustment event); and/or (iii) the conversion price. No assignment of its rights under the Convertible Loan Agreement is permitted by either party without the prior written consent of the other. The Convertible Loan Agreement is governed exclusively by English law.

13. Significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2015, being the latest date to which the audited historical financial information in Part 5 was prepared.

14. Working capital statement

The Directors are of the opinion, having made due and careful enquiry, that after taking into account the expected net proceeds of the Placing and the Convertible Loan, the working capital available to the Company and the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

15. Litigation and disputes

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

16. Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of Ordinary Shares. This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position of UK resident and domiciled Shareholders who are beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment (and not as employment related securities or through an "Individual Saving Account" or "Self Invested Personal Pension"). Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership

and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

16.1 ***Taxation of dividends***

Individual Shareholders

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

Shareholders who are individuals will be liable to UK income tax in respect of cash dividends of the Company. Until 2016, a Shareholder who is an individual should be entitled to claim a non-repayable dividend tax credit equal to one-ninth of the dividend received. For eligible basic rate taxpayers, who pay tax at the dividend ordinary rate of 10 per cent., the effect of the dividend tax credit would be to extinguish any further tax liability. For eligible higher rate taxpayers, who pay tax at the dividend upper rate of 32.5 per cent., the effect of the dividend tax credit would be to reduce their effective tax rate to 25 per cent. of the cash dividend received. For eligible additional rate taxpayers, who currently pay tax at the dividend additional rate of 37.5 per cent., the effect of the dividend tax credit would be to reduce their effective tax rate to approximately 30.6 per cent. of the cash dividend received.

In its Summer Budget of 8 July 2015, the Government announced that from April 2016 the dividend tax credit described above will be abolished and replaced with a tax-free dividend allowance of £5,000 a year. At that time the Government also announced that from April 2016 the rates of income tax on dividend income will be changed to 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

Corporate Shareholders

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

Tax credit

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

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

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

16.2 ***Taxation of chargeable gains***

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

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

Disposals realised by corporate Shareholders within the charge to corporation tax (currently 20 per cent.) may give rise to a chargeable gain, subject to the availability of an exemption (e.g. the substantial shareholding exemption) or relief. Indexation allowance may reduce the chargeable gain for corporate Shareholders.

A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares. In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

16.3 ***EIS***

The Company has received provisional assurance from HMRC that a subscription for Placing Shares will be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. The status of the EIS Placing Shares as a qualifying holding for EIS will be conditional, *inter alia*, upon the Company continuing to satisfying the relevant requirements. It is the Directors' intention that the Company will continue to meet the EIS provisions so that it continues to be a qualifying company for these purposes. However, the Directors cannot give any warranty or undertaking (or any other assurance) that the Company will continue to meet the conditions, including in the event that the Directors believe that the interests of the Company are not best served by preserving the EIS status, or as a result of changes in legislation.

The obtaining of such provisional assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period.

The following provides an outline of the EIS tax reliefs available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor in relation to their own particular set of personal circumstances.

In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity which can include that of research and development. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.

EIS income tax relief is available to individuals only – the current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's UK income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per tax year. This relief can be 'carried back' one tax year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription and who invest in shares in the Company for genuine commercial reasons and not for the avoidance of tax.

Very broadly, an individual is connected with the issuing company if, inter alia, he or his associates are employees or directors or have an interest in more than 30 per cent. of the Company's ordinary share capital.

Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year or the preceding year.

Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

16.4 ***Claims***

Investors need to make a formal claim for EIS relief or EIS deferral relief from their individual tax office. The claim is made on receipt of Form EIS3 from the Company. Form EIS3 is a certificate issued by the Company, with the approval of HMRC, confirming that it is a qualifying company for EIS purposes. The Company proposes to submit its application to HMRC to issue an EIS3 as soon as practicable after the share issue. An investor's claim must be submitted to his tax office no later than the fifth anniversary of 31 January following the year of assessment in which the shares were issued.

The Directors consider that the Group may have received, in the 12 months immediately prior to the Placing, investments (including under EIS) pursuant to a measure approved by the European Commission as compatible with Article 107 of the Treaty on the Functioning of the European Union in accordance with the principles laid down in the current Community Guidelines on State Aid to promote Risk Capital Investments in Small and Medium-sized Enterprises. Accordingly, the Placing will limit funds up to a specified amount (representing the difference between the total qualifying investments received in the 12 months immediately prior to the Placing and £5 million) from investors seeking EIS reliefs and any other State Aid risk capital investors in order not to exceed the maximum amount of £5 million that can be raised annually through risk capital schemes.

16.5 ***AIM***

Companies whose shares trade on AIM are deemed unlisted for the purposes of certain areas of UK taxation. Following Admission, Shares held by individuals for at least two years from Admission may qualify for more generous exemptions from inheritance tax on death or in relation to lifetime transfers of those Shares. Shareholders should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above maybe available to them.

16.6 ***Stamp duty and stamp duty reserve tax***

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares and no stamp duty or stamp duty reserve tax is payable on transactions in shares traded on AIM where the shares are not also listed on a recognised stock market.

17. Property

The Company does not believe that there are any material environmental issues which may affect the Group's utilisation of its property.

18. Consents

18.1 Numis has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.

18.2 KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of its Accountant's Report as included in Section A of Part 5 of this document.

18.3 Symbiosis IP Limited has given and has not withdrawn its written consent to the inclusion in this document of its Patent Report as included in Part 4 of this document.

19. Expenses of the Placing and Admission

The total costs and expenses of, and incidental to, the Placing and Admission (including placing commissions, the application fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents) to be borne by the Company are estimated to be approximately £1.6 million.

20. General

20.1 The financial information contained in this document which relates to Diurnal Limited does not constitute full statutory accounts as referred to in section 434(3) of the Act. Statutory audited accounts of Diurnal Limited, on which the auditors, KPMG LLP, have given their unqualified report and which contained no statement under section 498(2) or (3) of the Act, have been delivered to the Registrar of Companies in respect of the three financial periods ended 27 May 2013, 27 May 2014 and 30 June 2015.

20.2 Save for the entities referred to in paragraphs 10.4, 10.5 10.6 (in respect of Finance Wales only) and 10.7 of this Part 7 and for FTI Consulting, in respect of public relations services, and Aon Hewitt Limited, in respect of remuneration and share schemes advice, in each case provided to the Group in connection with the Admission, no person (excluding the Company's professional advisers to the extent disclosed elsewhere in this document and trade suppliers) in the 12 months preceding the Company's application for Admission received, directly or indirectly, from the Company or any member of the Group or has entered into any contractual arrangements to receive, directly or indirectly, from the Company or any member of the Group on or after Admission any of the following:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

20.3 The Directors are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in the period between Incorporation and the date of this document or (ii) any trends in production, sales and inventory, and costs and selling prices between incorporation and the date of this document. Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's recent activities.

Dated: 21 December 2015