

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in doubt about the contents of this document, you should immediately consult a person authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities. If you have sold or otherwise transferred all of your ordinary shares in International Brand Licensing plc, please send this document and the Proxy Form, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules") to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.

A copy of this document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the Enlarged Issued Share Capital on AIM. The Placing and Admission will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the Financial Services Authority ("FSA") pursuant to section 85 of FSMA. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT and at the registered office of the Company, 14 Kinnerton Place South, London SW1X 8EH from the date of this document until one month from the date of Admission in accordance with the AIM Rules.

The Directors, whose names are set out on page 8 of this document, and the Company accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Your attention is drawn to the risk factors associated with an investment in the Ordinary Shares which are set out in Part II of this document and to the paragraph headed "Forward Looking Statements" on page 2 of this document.

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## **INTERNATIONAL BRAND LICENSING PLC**

*To be renamed*

## **EKF Diagnostics Holdings plc**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4347937)*

### **Proposed acquisition of EKF-diagnostic GmbH**

### **Placing of 100,435,653 new Ordinary Shares at 15p per share**

### **Change of Name**

### **Re-admission of the Enlarged Issued Share Capital to trading on AIM**

**and**

### **Notice of General Meeting**

### **NOMINATED ADVISER AND JOINT BROKER: ZEUS CAPITAL LIMITED**

### **JOINT BROKER: MATRIX CORPORATE CAPITAL LLP**

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#### **ORDINARY SHARE CAPITAL**

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
50,000,000	£500,000	<i>Ordinary shares of 1p as at the date of this document</i>	41,991,653	£419,917
250,000,000	£2,500,000	<i>Ordinary shares of 1p immediately after Admission</i>	142,427,306	£1,424,273

Application will be made for the entire issued, and to be issued, ordinary share capital of International Brand Licensing plc to be admitted to trading on the AIM market of London Stock Exchange plc ("AIM"). It is expected that First Admission of the Placing Shares being issued to certain venture capital trust ("VCT") and EIS investors ("First Tranche Placing Shares") to trading on AIM and such admission becoming effective and dealings in the First Tranche Placing Shares will commence on 5 July 2010. It is expected that Second Admission of the Placing Shares being issued to certain other VCT investors ("Second Tranche Placing Shares") to trading on AIM and such admission becoming effective and dealings in the Second Tranche Placing Shares will commence on 6 July 2010. It is expected that Third Admission of the Placing Shares other than First Tranche Placing Shares and Second Tranche Placing Shares ("Third Tranche Placing Shares") to trading on AIM and such admission becoming effective and dealings in the Third Tranche Placing Shares will commence on 7 July 2010.

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 5 July 2010 (or such later date as Zeus Capital Limited ("Zeus Capital") and Matrix Corporate Capital LLP ("Matrix") agree, being no later than 12 July 2010. The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

Notice of a General Meeting to be held at 11.00 a.m. on 2 July 2010 at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP is set out at the end of this document. To be valid, the accompanying Proxy Form for use at the General Meeting should be completed and returned, by post or by hand, in accordance with the instructions printed thereon, to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but in any event so as to arrive no later than 48 hours before the time fixed for the General Meeting.

Zeus Capital, which is authorised and regulated by the Financial Services Authority and a member of London Stock Exchange plc, is acting as the Company's Nominated Adviser and joint broker for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules for Nominated Advisers and as joint broker are owed solely to London Stock Exchange plc and the Company and are not owed to any Director or any other person or entity in respect of his or its decision to acquire shares in the Company in reliance on any part of this document. Zeus Capital is acting exclusively for the Company and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the transactions and arrangements detailed in this document. Under no circumstances should the information set out in this document be relied upon as being accurate at any time after Admission. No representation or warranty, express or implied, is being made by Zeus Capital as to any of the contents of this document in connection with the Proposals and Zeus Capital has not authorised the contents of any part of this document nor is it responsible for the accuracy of any information or opinion contained in this document or for the omission of any information.

Matrix Corporate Capital LLP ("Matrix"), which is authorised and regulated by the Financial Services Authority and a member of London Stock Exchange plc, is acting as the Company's joint broker for the purposes of the AIM Rules. Its responsibilities as the Company's joint broker are owed solely to London Stock Exchange plc and the Company and are not owed to any Director or any other person or entity in respect of his or its decision to acquire shares in the Company in reliance on any part of this document. Matrix is acting exclusively for the Company and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the transactions and arrangements detailed in this document. Under no circumstances should the information set out in this document be relied upon as being accurate at any time after Admission. No representation or warranty, express or implied, is being made by Matrix as to any of the contents of this document in connection with the Proposals and Matrix has not authorised the contents of any part of this document nor is it responsible for the accuracy of any information or opinion contained in this document or for the omission of any information.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, Ordinary Shares or Placing Shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Existing Ordinary Shares nor the Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Existing Ordinary Shares and Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)). Neither the United States Securities and Exchange Commission nor any state securities commission or other regulatory authority has approved or disapproved of the Existing Ordinary Shares or the Placing Shares or determined if this document is true or complete.

The distribution of this document outside the UK may be restricted by law. No action has been taken by the Company, Zeus Capital or Matrix that would permit a public offer of shares in the Company 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, and observe any restrictions on, the placing and offer of Placing Shares and/or 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 jurisdictions.

## **FORWARD LOOKING STATEMENTS**

This document contains forward looking statements. These statements relate to the Enlarged Group's future prospects, developments and business strategies.

Forward looking statements are identified by their use of terms and phrases such as "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative of those, variations or comparable expressions, including references to assumptions. These statements or similar expressions are primarily contained in Part I of this document.

The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Enlarged Group are specifically described in Part II of this document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Enlarged Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

These forward looking statements relate only to the position as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward looking statements or risk factors, other than as required by the AIM Rules or by the rules of any other applicable securities regulatory authority, whether as a result of new information, future events or otherwise.

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## EXECUTIVE SUMMARY

**The following information is derived from, and should be read in conjunction with, the whole of this document including in particular the section headed Risk Factors relating to the Enlarged Group in Part II of this document. Shareholders should read the whole of this document and not rely on this Executive Summary.**

### Introduction

On 26 November 2009, the Company announced a change of strategy in order to focus on building a business within the diagnostics market place through acquisition and organic growth. The Company also announced the appointment of a new management team with significant experience, contacts worldwide and a proven track record of acquisition, integration and growing businesses within the diagnostics industry. The new management team is headed by David Evans, as Non-Executive Chairman, and Julian Baines, as Chief Executive Officer.

As the first step of this strategy, the Board earlier today announced:

- an agreement to acquire EKF for a total consideration of €14.32 million (€11.32 million payable in cash on completion and €3 million to be satisfied by the issue of 16,732,482 new Ordinary Shares at the Placing Price, on the second anniversary of Completion);
- a placing to raise approximately £15.06 million by means of the issue of 100,435,653 new Ordinary Shares at 15 pence per share to fund this acquisition and to provide additional working capital; and
- a change of name of the Company to EKF Diagnostics Holdings plc.

The purpose of this document is to provide you with information on the Proposals, why your Board believes that the Proposals are in the best interest of Shareholders and to recommend that you vote in favour of the Resolutions at the General Meeting to be held on 2 July 2010, as your Board intends to do.

### The Enlarged Group

The Acquisition will provide the Company with an established, profitable and cash generative business within the diagnostic devices industry. The Enlarged Group will be a manufacturer and distributor of point of care diagnostic devices and reagents and will immediately have sales and distribution channels into over 65 countries (including the key markets of the US, Europe and Russia). The Acquisition is the first step in the strategy to build a business within the diagnostics market place through acquisition and organic growth with the objective of delivering value to shareholders.

In the Directors' opinion, there is an opportunity, by utilising the expertise of the management team within the diagnostics industry, to build a business that can take advantage of the ageing profile of the Western World's population and help in the diagnosis, treatment and care for these people. Diagnostic devices are used for the examination of specimen samples taken from the human body in order to diagnose disease and identify treatment options in patients. In recent years, advances in the cost, specificity, complexity and size of the instruments which are used has led routine diagnostic testing to move from centralised clinical testing laboratories to the point of care. This has significant benefits to the cost and quality of healthcare services and the Board believes that there will be significant future growth in the use and sale of diagnostic devices and associated reagents.

Whilst the Enlarged Group's suite of products will service a broad range of point of care diagnostics segments, including anaemia, heart disease and metabolic function, the Directors intend, in particular, to grow the Enlarged Group's existing focus on diabetes devices and reagents. Diabetes is one of the fastest growing diseases in the world, with the number of diabetes patients globally expected to increase from a base of 246 million in 2006, to 380 million in 2025.

### EKF

The EKF Group comprises established businesses with operations in Germany, Poland and Russia (where EKF will, upon Admission, hold 60 per cent. of the issued share capital of the local entity) which are focused on the design, development, manufacture and selling of diagnostic instruments and reagents. The

group also sells ancillary products including a line of proprietary cuvettes (small transparent containers which contain the patients' specimen in the device). The EKF Group's products and devices are designed to meet the needs of smaller professional clinical and research laboratories, doctors' offices, sports clinics and athletic testing sites. The EKF Group has its own sales force and is particularly strong in Eastern Europe and Russia which, the Directors believe, represent significant untapped point of care markets. Further information on EKF is set out in paragraph 5 of Part I of this document.

## Future Growth

The Directors, drawing on their experience in building companies in the diagnostics market, have identified a clear strategy for generating shareholder value through the following initiatives:

- **Improving the sales and marketing strategy** – the Directors believe this is currently significantly under resourced and that EKF is under represented in four of the five largest markets in Western Europe as well as in the US. The Directors intend to develop stronger distribution relationships in Italy, France, Spain, the UK and in the US and to continue improving EKF's existing sales and marketing strategy in Germany.

The Directors also believe there is a significant opportunity to build the sales base of the Hemocontrol device, EKF's CLIA waived (US FDA home use approved) device for testing for haemoglobin and haematocrit, in order to compete with the only established competitor in the US;

- **Gaining further regulatory approvals to enable the launch of products** – examples include the proposed launch of EKF's glycosylated haemoglobin instrument in late 2010;
- **Centralising and expanding manufacturing capability** – centralisation of the Enlarged Group's manufacturing activities is expected to provide cost savings and optimise production;
- **Enhancing the product base through research and development** – through the utilisation of EKF's research and development facilities in Germany to develop an ongoing supply of new products;
- **Re-evaluating the distribution business model** – by gradually building on the value of direct sales with the consequent improvement upon gross margins; and
- **Acquiring other companies or products** – the Directors will continue to seek acquisition opportunities and are in discussion with a small diagnostics business and have identified other acquisition targets.

## Management

David Evans and Julian Baines have a proven track record in acquiring, integrating and growing businesses in the diagnostic area, exemplified by their role at BBI Holdings plc ("BBI"), which they grew through acquisition and organic growth, from a value of £4 million at the time of the management buyout in 2000, to a value of £84 million in 2007, when BBI was sold to Inverness Medical Innovations Inc. David is also chairman of Immunodiagnostic Systems Holdings plc.

The Directors have focused on the retention of high quality management within the group. Berthold Walter, the Chief Executive Officer of EKF, who has expertise in the development and manufacture of diagnostic platforms, will remain with the Enlarged Group as Managing Director of the EKF Group.

## The Market

While the Enlarged Group will market products to small centralised diagnostic testing laboratories, it is the point of care market which, in the Directors' opinion, represents the greatest commercial opportunity. Point of care testing is defined as diagnostic tests completed in close proximity to patients. By performing diagnostic tests closer to patients and obtaining results directly at the point of care, care providers can immediately diagnose and treat patients.

It is estimated that approximately 70 per cent. of medical decisions are based on diagnostic test results and there is a growing demand for faster testing which simply cannot be addressed by centralised testing laboratories. The availability of viable point of care testing technologies is now highlighting the cost and outcome benefits (in particular the relative costs of delaying diagnosis) and this is driving evolution of the market towards the least expensive and most efficient means of testing.

According to Frost & Sullivan, the US is the largest point of care market, worth an estimated value of US\$2.1 billion in 2009 with a compound annual growth rate of 9.2 per cent.

The western European point of care market was valued at US\$1.29 billion in 2007, growing at an annual rate of 10.4 per cent. In 2008 the Asia Pacific market was estimated to be worth US\$190 million.

### **Summary of Pro Forma Financial Information**

An unaudited pro forma income statement and statement of net assets of the Enlarged Group is set out in Part IV of this document.

The unaudited pro forma income statement, illustrating the effect on the Company of the Acquisition as if it had been part of the Group for the year ended 31 December 2009, shows pro forma group revenue of £11.173 million and profit from operations of £2.672 million. The unaudited pro forma statement of net assets, illustrating the effect on the Company of the Acquisition and the Placing as if the transactions had taken place on 31 December 2009, shows pro forma group net assets of £21.8 million.

### **Current Trading**

On 10 June 2010, the Company announced its audited results for the year ended 31 December 2009. Revenue for the period was £256,000 (2008: £465,000), the loss before tax was £277,000 (2008: £923,000) and as at 31 December 2009, the Company had cash and cash equivalents of £3,037,000. The Company has continued to trade in line with the Directors' expectations since 31 December 2009 and the Board continues to seek opportunities for the disposal of its remaining licensing business assets. A copy of the annual report and accounts for the three financial years ending 31 December 2009 can be found on the Company's website at [www.iblplc.com](http://www.iblplc.com).

Trading at EKF in the first quarter of the financial year was impacted by reduced public sector budgets for the year ended 31 March 2010 and by a delay in a significant Chinese contract which did not commence until April 2010.

The Directors believe that the Acquisition will be a step change for the Company and they view the future with confidence.

The Company's year-end remains 31 December and the first consolidated results for the Enlarged Group will be for the year ended 31 December 2010.

### **Reverse Takeover**

In view of its size, in relation to the Company, the Acquisition constitutes a reverse takeover under the AIM Rules and, as such, is conditional upon Shareholders' approval, the admission of the Enlarged Issued Share Capital to trading on AIM and the publication of an Admission Document. It is expected that Admission will become effective and dealings on AIM of the Enlarged Issued Share Capital will commence on 7 July 2010.

### **Change of Name**

To reflect the EKF brand within the diagnostic devices market place it is proposed to change the name of the Company to EKF Diagnostics Holdings plc.

### **Risk Factors**

Your attention is drawn to the risk factors set out in Part II of this document which contains the business and general risks which the Board considers to be the most significant in relation to an investment in the Enlarged Group. There may be other risks that the Board currently consider not to be material or of which they are currently unaware.

**Recommendation**

The Board considers that the Proposals are in the best interests of the Company and would promote the success of the Company for the benefit of its Shareholders as a whole and unanimously recommend you to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their aggregate shareholdings of 5,618,153 Existing Ordinary Shares representing approximately 13.38 per cent. of the Company's Existing Ordinary Shares.



## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	David Eric Evans ( <i>Non-Executive Chairman</i> ) Julian Huw Baines ( <i>Chief Executive Officer</i> ) Paul Andrew Peter Foulger ( <i>Finance Director</i> ) Adam Reynolds ( <i>Non-Executive Director</i> ) Gordon James Hall ( <i>Non-Executive Director</i> ) Dr Kevin William Wilson ( <i>Non-Executive Director</i> )  <i>all of:</i> 14 Kinnerton Place South London SW1X 8EH
<b>Company Secretary</b>	Paul Andrew Peter Foulger
<b>Company Website</b>	<a href="http://www.iblplc.co.uk">www.iblplc.co.uk</a>
<b>Company Telephone Number</b>	020 7823 1733
<b>Nominated Adviser and Joint Broker</b>	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
<b>Joint Broker</b>	Matrix Corporate Capital LLP One Vine Street London W1J 0AH
<b>Reporting Accountants to the Company</b>	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
<b>Solicitors to the Company</b>	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP
<b>Solicitors to the Nominated Adviser and the Joint Brokers</b>	DWF LLP Centurion House 129 Deansgate Manchester M3 3AA
<b>Public Relations</b>	Walbrook PR Limited 4 Lombard Street London EC3V 9HD
<b>Registrars to the Company</b>	Capita Registrars Limited The Registry 34 Beckenham Road Kent BR3 4TU



## DEFINITIONS

The following terms apply in this document, unless the context requires otherwise:

<b>“2005 Options”</b>	the options granted pursuant to the 2005 Option Scheme;
<b>“2005 Option Scheme”</b>	the 2005 Option Scheme of the Company, further details of which are set out in paragraph 4 of Part V of this document;
<b>“2006 Act”</b>	Companies Act 2006;
<b>“Acquisition”</b>	the proposed acquisition by the Company of the entire issued share capital of EKF, to be effected pursuant to the Acquisition Agreement;
<b>“Acquisition Agreement”</b>	the agreement dated 15 June 2010, between (1) Berthold Walter, (2) IBG Innovationfonds GmbH Co. KG, (3) IBG Risikokapitalfonds I GmbH & Co. KG, (4) the Company, and (5) EKF under which the Company has conditionally agreed to acquire EKF, further details of which are set out in paragraph 7 of Part I and paragraph 12.2 of Part V of this document;
<b>“Admission”</b>	First Admission, Second Admission and Third Admission (and for any of them as the case may be);
<b>“Admission Document”</b>	this document dated 15 June 2010;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange which set out the rules and responsibilities in relation to companies whose shares are admitted to AIM;
<b>“Articles of Association” or “Articles”</b>	the Articles of Association of the Company;
<b>“Audit Committee”</b>	the committee appointed by the Board, as described in paragraph 17 of Part I of this document;
<b>“Board” or “Directors”</b>	the directors of the Company at the date of this document;
<b>“Bonus and Share Incentive Scheme”</b>	the Bonus and Share Incentive Scheme of the Company, further details of which are set out in paragraph 4 of Part V of this document;
<b>“Bonus and Share Incentive Scheme Options”</b>	the options granted pursuant to the Bonus and Share Incentive Scheme;
<b>“Cash Consideration”</b>	the cash consideration of €11,320,000 to be paid to shareholders of EKF pursuant to the Acquisition Agreement;
<b>“Change of Name”</b>	the proposed change of name of the Company to EKF Diagnostics Holdings plc, further details of which are set out in paragraph 13 of Part I of this document;
<b>“Code”</b>	the City Code on Takeovers and Mergers;
<b>“Company” or “IBL”</b>	International Brand Licensing plc, a company incorporated in England and Wales with registered number 4347937, and its subsidiaries;

<b>“Completion”</b>	completion of the Proposals;
<b>“Consideration Shares”</b>	the issue of 16,732,482 new Ordinary Shares, with a value of €3,000,000, at the Placing Price, to be issued to the vendors of EKF pursuant to the Acquisition Agreement on the second anniversary of Completion;
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001, as amended;
<b>“EKF”</b>	EKF-diagnostic GmbH, a company registered in Stendal, Germany;
<b>“EKF Group”</b>	EKF, 000 EKF-diagnostika (in which EKF will, on Admission, hold 60 per cent. of the issued share capital), EKF-diagnostic sales GmbH, SensLab GmbH, and EKF-Diagnostyka Sp.z.o.o.;
<b>“Enlarged Group”</b>	the Company and its subsidiaries following completion of the Acquisition;
<b>“Enlarged Issued Share Capital”</b>	the entire issued share capital of the Company as enlarged by the issue of the Placing Shares;
<b>“Existing Ordinary Shares”</b>	the 41,991,653 Ordinary Shares in issue at the date of this document;
<b>“Existing Share Options”</b>	together, the 2005 Options, the Bonus and Share Incentive Scheme Options, and share options held by third parties;
<b>“First Admission”</b>	admission of the First Tranche Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“First Tranche Placing Shares”</b>	the 10,666,665 Placing Shares proposed to be subscribed by certain venture capital trusts and EIS investors;
<b>“FSA”</b>	the Financial Services Authority;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“General Meeting” or “GM”</b>	the general meeting of the Company to be held at 11.00 a.m. on 2 July 2010, at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP, notice of which is set out at the end of this document;
<b>“Group”</b>	the Company and its subsidiaries as at the date of this document;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Matrix”</b>	Matrix Corporate Capital LLP, a limited liability partnership registered in England & Wales with registered number OC319462;
<b>“Model Code”</b>	the Model Code requirements of the Listing Rules, a part of the UK Financial Services Authority Handbook;
<b>“Notice”</b>	the notice of the General Meeting set out at the end of this document;
<b>“Ordinary Shares”</b>	the ordinary shares of 1 pence each in the capital of the Company;
<b>“Official List”</b>	the Official List of the UK Listing Authority;

<b>“Panel”</b>	the Panel on Takeovers and Mergers;
<b>“Placing”</b>	the conditional placing of the Placing Shares by Zeus Capital and Matrix, as agents for the Company, as described in this document, pursuant to the Placing Agreement;
<b>“Placing Agreement”</b>	the conditional agreement dated 15 June 2010, between (1) the Company, (2) the Directors, (3) Zeus Capital and (4) Matrix, relating to the Placing, further details of which are set out in paragraph 8 of Part I and paragraph 12.1 of Part V of this document;
<b>“Placing Price”</b>	15p per Placing Share;
<b>“Placing Shares”</b>	100,435,653 new Ordinary Shares to be issued pursuant to the Placing;
<b>“Proposals”</b>	the Acquisition, the Placing, the Change of Name, the increase in authorised share capital and Admission, as described in this document;
<b>“Proxy Form”</b>	the form of proxy sent to Shareholders with this document for use at the GM in connection with the Resolutions;
<b>“Remuneration Committee”</b>	the committee appointed by the Board, as described in paragraph 17 of Part I of this document;
<b>“Resolutions”</b>	the resolutions set out in the Notice;
<b>“Second Admission”</b>	admission of the Second Tranche Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“Second Tranche Placing Shares”</b>	the 25,499,998 Placing Shares (not being the First Tranche Placing Shares) proposed to be subscribed by certain venture capital trusts;
<b>“Shareholder”</b>	the holder of Existing Ordinary Shares;
<b>“Third Admission”</b>	admission of the Third Tranche Placing Shares to trading on AIM and readmission of the Existing Ordinary Shares, becoming effective in accordance with the AIM Rules;
<b>“Third Tranche Placing Shares”</b>	the 64,268,990 Placing Shares (other than the First Tranche Placing Shares and the Second Tranche Placing Shares);
<b>“US”</b>	The United States of America, its territories and possessions, any state of the United States of America and the district of Columbia any other area subject to US jurisdiction;
<b>“UK Listing Authority”</b>	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA; and
<b>“Zeus Capital”</b>	Zeus Capital Limited, a company registered in England and Wales with registered no. 4417845.

## GLOSSARY

<b>“cholesterol”</b>	a structural component of cells, transported in the blood. Unnaturally high levels of cholesterol indicate a risk of heart disease;
<b>“FDA”</b>	the US Food and Drug Administration;
<b>“glucose”</b>	blood sugar;
<b>“glycated haemoglobin”</b>	formed when haemoglobin is exposed to high levels of glucose in the blood;
<b>“haematocrit”</b>	haematocrit, or ‘packed cell volume’ is the proportion of blood volume occupied by red blood cells. Elevated or lowered levels of haematocrit are indicators of disease;
<b>“haemoglobin”</b>	a compound found in red blood cells present in the blood. The principal function of haemoglobin is to bind oxygen;
<b>“lactate”</b>	a salt of lactic acid, produced during a number of biomechanical processes;
<b>“microdialysis”</b>	used in the assessment of tissue damage for heart patients in hospital, both in laboratories and at bedside;
<b>“point of care”</b>	diagnostic tests performed in the home and near-patient settings (i.e. hospital patients’ bedsides, physicians’ office laboratories, outpatient clinics, emergency rooms and intensive care units);

## KEY STATISTICS

### Existing Share Capital

Current number of Ordinary Shares in issue 41,991,653

### Placing

Number of Placing Shares 100,435,653

Placing Price 15p

Gross proceeds of the Placing £15.06 million

Estimated net proceeds of the Placing £13.52 million

### Acquisition

Cash Consideration €11,320,000

Maximum number of Consideration Shares\* 16,732,482

### Upon First Admission

Number of Ordinary Shares in issue immediately following First Admission 52,658,318

Market capitalisation of the Enlarged Group at the Placing Price immediately following First Admission £7.90 million

### Upon Second Admission

Number of Ordinary Shares in issue immediately following Second Admission 78,158,316

Market capitalisation of the Enlarged Group at the Placing Price immediately following Second Admission £11.72 million

### Upon Third Admission

Number of Ordinary Shares in issue immediately following Third Admission 142,427,306

Market capitalisation of the Enlarged Group at the Placing Price immediately following Third Admission £21.36 million

Placing Shares as a percentage of the Enlarged Issued Share Capital 70.52%

AIM trading symbol EKFL

ISIN GB0031509804

*\* The number of Consideration Shares will be reduced by the amount of any successful warranty claims made under the Acquisition Agreement.*

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2010

Admission document publication date	15 June
Latest time and date for receipt of Proxy Forms for the General Meeting	11.00 a.m. on 30 June
General Meeting	11.00 a.m. on 2 July
First Admission and commencement of dealings in the First Tranche Placing Shares	8.00 a.m. on 5 July
Second Admission and commencement of dealings in the Second Tranche Placing Shares	8.00 a.m. on 6 July
Third Admission and commencement of dealings in the Enlarged Issued Share Capital	8.00 a.m. on 7 July

CREST accounts credited (as applicable) on the day of each relevant Admission

Definitive share certificates dispatched (as applicable) within 14 days of each relevant Admission

- (1) *If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.*
- (2) *References to times in this admission document are to London time (unless otherwise stated).*
- (3) *The timing of the events in the above timetable following the GM and in the rest of this document is indicative only.*

## PART I

### LETTER FROM THE CHAIRMAN OF

# International Brand Licensing Plc

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 4347937)*

*Directors:*

David Eric Evans (*Non-Executive Chairman*)  
Julian Huw Baines (*Chief Executive Officer*)  
Paul Andrew Peter Foulger (*Finance Director*)  
Adam Reynolds (*Non-Executive Director*)  
Gordon James Hall (*Non-Executive Director*)  
Dr Kevin William Wilson (*Non-Executive Director*)

*Registered Office:*

14 Kinnerton Place South  
London  
SW1X 8EH

15 June 2010

*Dear Shareholder,*

**Proposed acquisition of EKF-diagnostic GmbH**  
**Placing of 100,435,653 new Ordinary Shares at 15p per share**  
**Change of Name**  
**Re-admission of the Enlarged Issued Share Capital to trading on AIM**  
**and**  
**Notice of General Meeting**

## 1. Introduction

On 26 November 2009, the Company announced a change of strategy in order to focus on building a business within the diagnostics market place through acquisition and organic growth. The Company also announced the appointment of a new management team with significant experience, contacts worldwide and a proven track record of acquisition, integration and growing businesses within the diagnostics industry. The new management team is headed by David Evans, as Non-Executive Chairman, and Julian Baines, as Chief Executive Officer.

As the first step of this strategy, the Board earlier today announced:

- an agreement to acquire EKF for a total consideration of €14.32 million (€11.32 million payable in cash on completion and €3 million to be satisfied by the issue of 16,732,482 new Ordinary Shares at the Placing Price, on the second anniversary of Completion);
- a placing to raise approximately £15.06 million by means of the issue of 100,435,653 new Ordinary Shares at 15 pence per share to fund this acquisition and to provide additional working capital; and
- a change of name of the Company to EKF Diagnostics Holdings plc.

The purpose of this document is to provide you with information on the Proposals, why your Board believes that the Proposals are in the best interest of Shareholders and to recommend that you vote in favour of the Resolutions at the General Meeting to be held on 2 July 2010, as your Board intends to do.

### ***The Enlarged Group***

The Acquisition will provide the Company with an established, profitable and cash generative business within the diagnostic devices industry. The Enlarged Group will be a manufacturer and distributor of point of care diagnostic devices and reagents and will immediately have sales and distribution channels into over 65 countries (including the key markets of the US, Europe and Russia). The Acquisition is the first step in the strategy to build a business within the diagnostics market place through acquisition and organic growth with the objective of delivering value to Shareholders.

In the Directors' opinion, there is an opportunity, by utilising the expertise of the management team within the diagnostics industry, to build a business that can take advantage of the ageing profile of the Western



World's population and help in the diagnosis, treatment and care for these people. Diagnostic devices are used for the examination of specimen samples taken from the human body in order to diagnose disease and identify treatment options in patients. In recent years, advances in the cost, specificity, complexity and size of the instruments which are used has led routine diagnostic testing to move from centralised clinical testing laboratories to the point of care. This has significant benefits to the cost and quality of healthcare services and the Board believes that there will be significant future growth in the use and sale of diagnostic devices and associated reagents.

Whilst the Enlarged Group's suite of products will service a broad range of point of care diagnostics segments, including anaemia, heart disease and metabolic function, the Directors intend, in particular, to grow the Enlarged Group's existing focus on diabetes devices and reagents. Diabetes is one of the fastest growing diseases in the world, with the number of diabetes patients globally expected to increase from a base of 246 million in 2006, to 380 million in 2025.

## **EKF**

The EKF Group comprises established businesses with operations in Germany, Poland and Russia (where EKF will, upon Admission, hold 60 per cent. of the issued share capital of the local entity) which are focused on the design, development, manufacture and selling of diagnostic instruments and reagents. The group also sells ancillary products including a line of proprietary cuvettes (small transparent containers which contain the patients' specimen in the device). EKF's products and devices are designed to meet the needs of smaller professional clinical and research laboratories, doctors' offices, sports clinics and athletic testing sites. EKF has its own sales force and is particularly strong in Eastern Europe and Russia which, the Directors believe, represent significant untapped point of care markets. Further information on EKF is set out in paragraph 5 of this Part I.

## **Future Growth**

The Directors, drawing on their experience in building businesses in the diagnostics market, have identified a clear strategy for generating shareholder value through the following initiatives:

- **Improving the sales and marketing strategy** – the Directors believe this is currently significantly under resourced and that EKF is currently under represented in four of the five largest markets in Western Europe as well as in the US. The Directors intend to develop stronger distribution relationships in Italy, France, Spain, the UK and in the US, and to continue improving the Company's existing sales and marketing strategy in Germany.

The Directors also believe there is a significant opportunity to build the sales base of the Hemocontrol device, EKF's CLIA waived (US FDA home use approved) device for testing for haemoglobin and haematocrit, in order to compete with the only established competitor in the US;

- **Gaining further regulatory approvals to enable the launch of products** – examples include the proposed launch of EKF's glycosylated haemoglobin instrument in late 2010;
- **Centralising and expanding manufacturing capability** – centralisation of the Enlarged Group's manufacturing activities is expected to provide cost savings and optimise production;
- **Enhancing the product base through research and development** – through the utilisation of EKF's research and development facilities in Germany to develop an ongoing supply of new products;
- **Re-evaluating the distribution business model** – by gradually building on the value of direct sales with the consequent improvement upon gross margins; and
- **Acquiring other companies or products** – the Directors will continue to seek acquisition opportunities and are currently in discussions with a small diagnostics business and have identified other acquisition targets.

## **Management**

David Evans and Julian Baines have a proven track record in acquiring, integrating and growing businesses in the diagnostic area, exemplified by their role at BBI Holdings plc ("BBI"), which they grew through acquisition and organic growth, from a value of £4 million at the time of the management buyout in 2000, to a value of £84 million in 2007, when BBI was sold to Inverness Medical Innovations Inc. David is also chairman of Immunodiagnostic Systems Holdings plc.

The Directors have focused on the retention of high quality management within the group. Berthold Walter, the Chief Executive Officer of EKF, who has expertise in the development and manufacture of diagnostic platforms will remain with the Enlarged Group as Managing Director of the EKF Group.

### **Reverse takeover**

In view of its size, in relation to the Company, the Acquisition constitutes a reverse takeover under the AIM Rules and, as such, is conditional upon Shareholders' approval, the admission of the Enlarged Issued Share Capital to trading on AIM and the publication of an Admission Document. Accordingly, a general meeting is being convened on 2 July 2010 at which Shareholders will be asked to approve the Acquisition, grant the appropriate authorities to permit the Company to issue the Placing Shares and change the name of the Company to EKF Diagnostics Holdings plc. If the Resolutions are approved by Shareholders, the Company's existing trading facility on AIM will be cancelled and the Company's Enlarged Issued Share Capital will be admitted to trading on AIM, and the Acquisition Agreement and the Placing become unconditional in all respects. It is expected that Admission will become effective and dealings on AIM in the Enlarged Issued Share Capital will commence on 7 July 2010.

## **2. Background to and Reasons for the Proposals**

The Company was admitted to AIM in 2002 and has historically generated revenues by exploiting a portfolio of sports and lifestyle brands, trade names and logos by granting licences to third parties allowing them to manufacture, market and sell products in pre-determined territories. In 2008, the Directors undertook a strategic review in order to identify a new industry sector which, in their opinion, would have greater potential for generating shareholder value than the Company's existing licensing business. As part of this strategic review, the Company commenced a process of disposing of its trademark registrations in certain territories. To date, the Company has disposed of trademark registrations over the Admiral® sports brand in certain territories for a total consideration of approximately £3.1 million. The Company intends to dispose of its remaining licensing business as opportunities arise over the coming months, thus generating further cash for the Enlarged Group.

On 26 November 2009, the Company announced the appointment of a new management team headed by David Evans, as Non-Executive Chairman, Julian Baines as Chief Executive Officer and Dr. Kevin Wilson, as Non-Executive Director and announced a change of strategy to one of building a business within the diagnostic devices market place through acquisition and organic growth. David Evans and Julian Baines have significant experience and contacts worldwide and a proven track record of acquisition, integration and growth within the diagnostics sector. They were, respectively, non-executive chairman and chief executive officer of BBI Holdings plc and helped grow this company, through 7 acquisitions and organic growth, from a value of £4 million at the time of the management buyout in 2000 to a value of £84 million in 2007, when it was sold to Inverness Medical Innovations, Inc.

The Acquisition will provide the Company with an established, profitable and cash generative business within the point of care diagnostics industry and is the first step in the Board's buy and build strategy with the objective of delivering value to Shareholders.

## **3. The Market**

### **Overview**

While the Enlarged Group will market products to small centralised diagnostic testing laboratories, it is the point of care market which, in the Directors' opinion, represents the greatest commercial opportunity. Point of care testing is defined as diagnostic tests completed in close proximity to patients. By performing diagnostic tests closer to patients and obtaining results directly at the point of care, care providers can immediately diagnose and treat patients.

Over the last few decades, there has been a strong trend towards point of care and more tests are being performed at hospital patients' bedsides, in doctors' offices, outpatient clinics, emergency rooms and intensive care units. The trend towards greater point of care testing is driven by the benefits of cost and the speed of results.

It is estimated that approximately 70 per cent. of medical decisions are based on diagnostic test results and there is a growing demand for faster testing which simply cannot be addressed by centralised testing

laboratories. The availability of viable point of care testing technologies is now highlighting the cost and outcome benefits (in particular the relative costs of delaying diagnosis) and this is driving evolution of the market towards the least expensive and most efficient means of testing.

### ***Point of care diagnostic tests***

There are two principal elements to a particular diagnostic test: (i) the instrument or platform on which the test is performed, and (ii) the particular test which is performed. The instruments often constitute a large capital investment for purchasers and therefore many instruments are rented, leased or placed on a reagents rental basis rather than sold. The Directors believe that, once platforms are placed with customers, each platform can generate significant revenues through the sale of the reagents used in the tests.

### ***Size of market***

According to Frost & Sullivan "Point-of-Care Testing Markets" (March 2010), the global diagnostics market reached approximately US\$35 billion in 2009 of which approximately US\$14 billion was in the US. The Directors believe that the largest part of this market (US\$17 billion in 2008) is accounted for by diagnostic tests performed by centralised laboratories. Whilst the Enlarged Group will market its products to the smaller laboratories in this large market space, point of care testing, in both the home and near-patient setting, is growing at a higher rate and will be the principal focus for the Enlarged Group.

The US is the largest point of care market worth an estimated US\$2.1 billion in 2009. The US market is expected to reach US\$3.9 billion in 2016; a compound annual growth rate of 9.2 per cent.

The western European point of care market (according to a separate Frost and Sullivan Report "Western European IVD Markets", June 2008) was valued at US\$1.29 billion in 2007, growing at an annual rate of 10.4 per cent. By 2014 the market is expected to reach US\$2.66 billion.

Frost & Sullivan estimated, in 2005, that the diagnostics market in Asia Pacific would be worth US\$5.42 billion in 2008 of which approximately 3.5 per cent. (US\$190 million) would be point of care.

It is anticipated that high growth will be sustainable in the longer term due to the ageing global population and due to improvements in technology making previously 'unmarketable' diagnostic product offerings both efficient and economically viable. The Directors believe this will provide significant opportunities for companies operating in this market.

### ***Competition***

Whilst the diagnostics market is dominated by global companies there are also a number of smaller players in the point of care sub sector of the market. The Directors believe there is a significant opportunity for the Enlarged Group to increase its historic market share and participate in the expected future growth of the point of care market. In the Directors' opinion, the Enlarged Group's breadth of distribution channels throughout Europe, the US and Russia, along with its manufacturing, research and development and sales and marketing capabilities, provides an advantage against other similar sized competitors in the point of care diagnostics market.

## **4. Information on the Enlarged Group and Strategy**

The Enlarged Group will manufacture, market and distribute a suite of diagnostic devices and chemical reagents to the diagnostic point of care market. It will have research and development and manufacturing facilities in Europe and will also have established distribution channels into over 65 countries, including the US, Europe and Russia. Customers will include small centralised laboratories, research laboratories, doctors' offices and home users worldwide. As noted in paragraph 1 above, the Enlarged Group will focus particularly on opportunities within the diabetes segment of the point of care market. More detailed information on the products and operations of the EKF Group is set out in paragraph 5 of this Part I.

An unaudited pro-forma statement of net assets and income statement for the Enlarged Group are contained in Part IV of this document. The unaudited pro forma income statement shows revenues of £11.173 million and profit from operations of £2.672 million for the year ended 31 December 2009. The unaudited pro forma statement of net assets shows net assets of £21.8 million as at 31 December 2009.

The Directors believe that upon completion of the Acquisition, the Enlarged Group will be able to generate enhanced revenues compared to those historically achieved by implementing the following strategies, enabling the Enlarged Group to immediately sell into several major areas of point of care:

- ***Improving the sales and marketing strategy***

The Enlarged Group intends to implement a new sales and marketing infrastructure with a view to harnessing the latent potential of EKF's broad geographic base. The Directors also intend that existing products will be marketed more effectively in their current markets.

The Directors believe that historically, EKF has underinvested in sales and marketing infrastructure in the US and certain key European territories such as Italy, France, Spain and the UK. These markets are four of the five largest markets in Western Europe (the fifth being Germany), and will be targeted upon integration of the Acquisition.

The Directors also believe there is a significant opportunity to build the sales base of the Hemocontrol device, EKF's CLIA waived (US FDA home use approved) device for testing for haemoglobin and haematocrit, in order to compete with the only established competitor in the US;

- ***Gaining regulatory approvals to enable the launch of products***

On Completion, the Enlarged Group will have the appropriate regulatory approvals to sell its range of products through its existing distribution channels. Over the next few years, the Enlarged Group will require regulatory approval to sell certain EKF products into the US market (in addition to those products that are currently sold in the US) for example, the BioSens products. The increased number of FDA approvals received will provide the Enlarged Group with a pipeline of approved products which can be marketed in the US over the coming years. The Directors have considerable experience and expertise in gaining these regulatory approvals given their previous involvement in other diagnostic devices companies and are confident that necessary regulatory approvals will be obtained within a short timescale. It is expected that this will enable the Enlarged Group to increase revenues.

- ***Centralising and expanding manufacturing capability***

EKF has manufacturing facilities in Germany and Poland. The centralisation of the Enlarged Group's manufacturing activities is expected to provide cost savings and optimise production. By expanding the facilities in Germany (a process that has already begun) and Poland, higher volumes can be produced.

- ***Enhancing the product base through research and development***

EKF has research and development facilities in Germany. Through research, development and innovation the Board intends to develop an ongoing supply of new products to sell through its distribution channels.

- ***Re-evaluating the distribution business model***

Over time, the Directors intend to move gradually more towards a direct sales approach as opposed to relying on third party distributors, which they believe will contribute to improved profit margins.

Given the Enlarged Group's expansive distribution network, the Directors also believe that companies who do not have access to distribution channels in key diagnostics markets (particularly Eastern Europe and Russia) will consider the Enlarged Group to be an attractive distribution partner.

- ***Acquiring other companies or products***

The Directors will continue to seek acquisition opportunities and are currently in discussion with a small diagnostics business and have identified other acquisition targets.

## **5. Information on EKF**

EKF, based in Barleben, Germany, will, at Completion, be the holding company of a group of diagnostics businesses with offices in Germany, Poland and Russia (where EKF will own 60 per cent. of the issued shares of the local entity). EKF was founded in 1990 and focuses on the development, manufacture and

selling of diagnostic instruments and reagents to clinical and research laboratories, doctors' offices and sports medicine testing sites worldwide.

EKF has sales, research and development and manufacturing operations in the locations set out in the table below and sells products directly into these countries and through distribution contracts into over 62 other countries.

<i>Country</i>	<i>Operations</i>
Germany	Head office, Sales, Service, Research and Development/Manufacturing
Poland	Sales, Service and Manufacturing
Russia	Sales and Service

EKF reported revenue of €11.7 million for the year ended 31 December 2009, operating profit of €2.1 million and a profit before taxation of €1.8 million. At 31 December 2009, the EKF Group employed 142 full time employees. Further details on the financial results of the EKF Group are contained in Part III of this document.

### ***EKF Products***

EKF focuses on two of the main segments of the point of care market; diabetes and anaemia testing. Its own products are divided into three major product lines: haemoglobin systems for haemoglobin and haematocrit testing, BioSens systems for glucose and lactate testing and a hand held lactate device/disposable for measuring lactate.

The EKF Group also distributes products for oxygen monitoring and microdialysis on behalf of Chempaq A/S, a company based in Denmark.

### ***Haemoglobin Systems – Hemo-Control and Hemo-Speed Products***

These products consist of a dedicated instrument and disposable cuvettes for performing blood haemoglobin tests, with a calculated haematocrit value also offered as a reportable result upon request by the end user. These systems are available as two different instruments, Hemo-Control and Hemo-Speed; both using different versions of EKF's patented cuvettes. A data management and bar code reader is also available for both versions for large sampling volume users. These products are used in blood screening, donor centres and in doctors' offices in many countries. The Hemo-Control and Hemo-Speed products are the only registered products currently sold in the US market by EKF.

### ***BioSens Products***

These products consist of different instrument formats for performing tests for glucose and lactate which are sold under the trade names BioSens, BioSens S and BioSens C and differ by the number of tests performed per hour (varying between 160 and 120 tests per hour), test time and sales price. The BioSens instruments range in price from €5,000 – €10,000 with disposable reagent kits, which are required for each test performed. These prices and format variations allow the EKF Group to sell these products in many countries through different distributors, with the largest sales to date in Eastern Europe, Russia and Germany. The installed customer base should continue to generate a sustainable, recurring revenue stream. The Directors consider the BioSens products and reagents to be applicable to new emerging markets such as India, China and the Far East which they believe should contribute significantly to future revenue growth.

### ***Lactate SCOUT***

EKF has two versions of its Lactate testing systems; the BioSens line (described above) and a hand-held device sold under the trade name Lactate SCOUT. The Lactate SCOUT system is not a 'platform' like the BioSens line, as other tests cannot be added to the device without a re-design. Sales of this product are primarily to non-traditional point of care market segments, such as sports medicine clinics, Olympic training facilities and for self-testing by athletes. The Lactate SCOUT product is currently used by Chelsea Football Club in order for the coaching and medical staff to assess the fitness of their players.

## **Reagents**

For each of the devices described above, specific reagents are required in order to perform the tests. EKF sells a range of these reagents which are specific to its devices as well as to other devices sold in the diagnostic devices market. The Directors believe that, in 2009, the EKF Group sold approximately 16 million reagents.

## **Other Products**

EKF has an exclusive supply, distribution and service arrangement with Chempaq A/S, Denmark for its Chempaq XBC product in German-speaking European countries and the Gulf region. This product is complementary to EKF's haemoglobin and haematocrit products as it measures other blood cell parameters; red and white blood cells, platelets and the differential among them in a single use instrument/disposable system. In the same territories, EKF also distributes the Microdialysis Pump and associated disposables supplied by ISCUS Clinical. This product is used to assess tissue damage for heart patients in hospital, both in laboratories and at bedside.

## **New Products**

EKF has a product for glycated haemoglobin testing for diabetes that is in late stage clinical trials. This product, formatted on the BioSens S instrument line, is anticipated to begin selling during late 2010 in all countries where BioSens instruments are currently sold, using the same EKF distributor network. EKF also has a hand-held glucose device in the latter stages of development. Further, EKF is also developing a panel of lipid tests and total cholesterol for its BioSens platform and a white blood cell count test for its Hemo-Control instruments. The Directors expect a number of these products to be launched in 2011.

## **Research and Development**

EKF has a research and development facility in Leipzig, Germany, which is involved in the development of diagnostic products and will provide the Enlarged Group with an established research and development facility post acquisition.

EKF has 30 research and development employees divided between hardware and chemistry development. Core technological expertise includes semi-automated clinical analysers that handle liquids, biosensors and cuvettes. Other expertise resides largely in the design of hardware and software that exploits readily available biomarker reagents.

## **Manufacturing**

The EKF operations are headquartered in a 3,000 square metre facility in Barleben, Germany. This facility manufactures most of EKF's products and was recently re-certified to ISO 9001 and EN 13485 standards until mid-2012. EKF also has a manufacturing site in Poland which produces the haemoglobin cuvette.

## **Sales**

In 2009, EKF's largest geographical market by turnover was Eastern Europe and Russia followed by Germany. Only 8 per cent. of sales were into the US market. Sales by product line in 2009 were as follows: Haemoglobin Systems, 35 per cent.; Glucose, 35 per cent.; and others, 30 per cent.

## **6. Regulation and Patents**

### **Regulation**

In the Enlarged Group's key target markets there are a number of regulatory approvals that a diagnostics product has to obtain prior to being launched. Whilst timelines for approvals are short compared to drug development and registration, many countries require diagnostic products to be registered for clinical use before commercialisation. In the US, FDA approval is required (in the form of a general FDA approval for home use, and, specifically for the use of devices and reagents in laboratory testing, a Clinical Laboratory Improvement Amendment ("CLIA") waiver) whilst in Europe, a CE mark is required.

All of EKF's products, except Lactate SCOUT and associated reagents for sports medicine use, require some level of government regulation and registration. Each of EKF's products are CE marked and the Hemo-Control device is FDA-approved and has a CLIA waiver.



Due to the amount of time it takes to obtain regulatory approval for a suite of diagnostics instruments and reagents the Directors believe this represents a significant barrier to entry for competitors looking to move into this market.

### **Patents**

EKF's key patent relates to a newly-designed microcuvette that is used in the company's haemoglobin platform.

## **7. Principal Terms of the Acquisition**

Under the Acquisition Agreement, the Company has, conditional upon, *inter alia*, Admission, agreed to acquire EKF for a total consideration of €14.32 million. The consideration will be satisfied by the payment of €11.32 million in cash on Completion and €3 million satisfied by the issue of 16,732,482 new Ordinary Shares at the Placing Price, on the second anniversary of Completion. This deferred share consideration will be reduced to the extent that there have been any successful claims under the warranties in the Acquisition Agreement. Further details of the Acquisition Agreement are set out in paragraph 12.2 of Part V of this document.

## **8. Placing**

Under the Placing the Company is raising approximately £15.06 million, before expenses, through the placing of 100,435,653 new Ordinary Shares at the Placing Price. Pursuant to the Placing Agreement, entered into between the Company, the Directors, Zeus Capital and Matrix, the Company and the Directors have given certain warranties and the Company has given an indemnity to Zeus Capital and Matrix. The Company has agreed to pay Zeus Capital a corporate finance fee of £175,000, Matrix a corporate finance fee of £25,000, and a commission of 4 per cent. of the gross proceeds of the Placing to be shared equally between Zeus Capital and Matrix.

The Placing Shares will, upon allotment, rank *pari passu* in all respects with the Existing Ordinary Shares.

The Placing Price of 15 pence per Placing Share represents a discount of approximately 26.83 per cent. to the middle market price of an Ordinary Share at the close of business on 14 June 2010, being the latest practicable date prior to the publication of this document.

Further details of the Placing Agreement are set out in paragraph 12.1 of Part V of this document.

The placing of the First Tranche Placing Shares is conditional on, *inter alia*, the First Admission. The placing of the Second Tranche Placing Shares is conditional on, *inter alia*, the First Admission and Second Admission. The placing of the Third Tranche Placing Shares is conditional on, *inter alia*, the Second Admission and Third Admission.

Application will be made for the Placing Shares to be admitted to trading on AIM. It is expected that dealings in the First Tranche Placing Shares will commence on AIM on or around 5 July 2010, dealings in the Second Tranche Placing Shares will commence on AIM on or around 6 July 2010 and that dealings in the Third Tranche Placing Shares will commence on AIM on or around 7 July 2010.

## **9. Tax Reliefs Available to Investors**

The Company has received notification from HM Revenue & Customs that a proportion of the Placing Shares should qualify for EIS and VCT relief. The availability of tax relief will depend, *inter alia*, upon the investor and the Company continuing to satisfy various qualifying conditions. The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment but the Directors intend, as far as possible, to do so. Investors considering taking advantage of EIS relief or making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances.

Any Shareholder who is in any doubt as to his taxation position under the EIS and VCT legislation, or who is subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.



## **10. Summary of Pro Forma Financial Information of the Enlarged Group**

An unaudited pro forma income statement and statement of net assets of the Enlarged Group is set out in Part IV of this document.

The unaudited pro forma income statement, illustrating the effect on the Company of the Acquisition as if EKF had been part of the Group for the year ended 31 December 2009, shows pro forma group revenue of £11.173 million and profit from operations of £2.672 million. The unaudited pro forma statement of net assets, illustrating the effect on the Company of the Acquisition and the Placing as if the transaction had taken place on 31 December 2009, shows pro forma group net assets of £21.8 million.

## **11. Current Trading and Prospects for the Enlarged Group**

On 10 June 2010, the Company announced its audited results for the year ended 31 December 2009. Revenue for the period was £256,000 (2008: £465,000), the loss before tax was £277,000 (2008: £923,000) and, as at 31 December 2009, the Company had cash and cash equivalents of £3,037,000. The Company has continued to trade in line with the Directors' expectations since 31 December 2009 and the Board continues to seek opportunities for the disposal of its remaining licensing business assets. A copy of the annual report and accounts for the three financial years ended 31 December 2009 can be found on the Company's website at [www.iblplc.com](http://www.iblplc.com).

Trading at EKF in the first quarter of the financial year was impacted by reduced public sector budgets for the year ended 31 March 2010 and by a delay in a significant Chinese contract which did not commence until April 2010.

The Directors believe that the Acquisition will be a step change for the Company and they view the future with confidence.

The Company's year-end remains 31 December and the first consolidated results for the Enlarged Group will be for the year ended 31 December 2010.

## **12. Dividend Policy**

Once it is commercially prudent to declare a dividend, it is the intention of the Board to implement a progressive dividend policy.

## **13. Change of Name**

To reflect the EKF brand within the diagnostic devices market place it is proposed to change the name of the Company to EKF Diagnostics Holdings plc. Upon the change of name becoming effective existing share certificates will no longer remain valid and new share certificates to reflect the new name of the Company will be issued within 14 days of the change of name. However, Shareholders will continue to be able to trade in the issued share capital of the Company during the period between the date of Admission and the date on which Shareholders receive share certificates in respect of the Enlarged Issued Share Capital.

## **14. Directors of the Enlarged Group**

### ***David Eric Evans, Non-Executive Chairman (aged 50)***

David has significant expertise and contacts worldwide within the diagnostics industry. He is the former Chairman of BBI Holdings plc ("BBI"), which was acquired by Inverness Medical Innovations, Inc. ("IMI") in 2007 at a value of £84 million, and a director of DxS Limited, which was sold in 2009 for an initial consideration of US\$95 million with a potential earn out payment of a further US\$35 million. David is currently Chairman of Immunodiagnostic Systems Holdings plc, a business that had a market capitalisation of £6.75 million when floated in 2004, and that, at the close of business on 14 June 2010, had a market capitalisation of £164.34 million. He is also Chairman of Epistem Holdings plc, which he helped float in April 2007 with a market capitalisation of £8.11 million and which, at the close of business on 14 June 2010, had a market capitalisation of £31.74 million.

***Julian Huw Baines, Chief Executive Officer (aged 45)***

Julian was former Group CEO of BBI where he undertook a management buyout in 2000 for £4 million, a flotation on AIM in 2004 and was responsible for selling the business to IMI in 2007 at a value of £84 million, after having completed 7 acquisitions between 2004 and 2007. Julian has resigned from his executive role at BBI but remains a non-executive director, providing strong links with IMI who are one of the largest point of care businesses in the world.

***Paul Andrew Peter Foulger, Finance Director (aged 40)***

Paul is a qualified certified accountant with extensive public and private company experience having been finance director at First Africa Oil plc, Cielo Holdings plc and Elsevier Science. He jointly led a management buy-out of financial communications group, Hansard in 2004 and has been the Company's finance director since June 2005. Paul has recently completed an MBA at Warwick Business School.

***Adam Reynolds, Non-Executive Director (aged 47)***

Adam began his career as a stockbroker before moving into investor relations. In 2000 he established Hansard Group plc, a financial PR firm, listing it on AIM in November 2000, before jointly leading a management buy-out of the business in 2004. Adam is also the chairman of Medavinci plc, TSE Group plc and a director of Wilton International Management Group.

***Gordon James Hall, Non-Executive Director (aged 67)***

Gordon has significant experience within the biotech sector. He is currently a non-executive director of Nanoco plc and Oxeco plc. Previous directorships include Osmetech plc, Evolutec Ltd, Ntera Ltd, Plectrum Petroleum plc, Bio Stat Ltd, Shield Diagnostics plc and Andaris Ltd.

***Dr Kevin William Wilson, Non-Executive Director (aged 59)***

Kevin has worked as a securities analyst and corporate finance adviser in the stock broking and investment banking sectors for 25 years. He has been on the board of a number of public and private businesses and was Senior Independent Director of BBI from its AIM flotation to its sale in 2007. Kevin is a visiting fellow at Lancaster and Manchester Business Schools and a former visiting professor at Lausanne and Geneva.

**15. Key Management and Employees**

Following Admission, the Enlarged Group will be reorganised. The UK head office will run the corporate affairs and co-ordinate sales and marketing through a series of regional offices in Germany, Poland and Russia.

Berthold Walter, the existing chief executive of EKF, will be responsible for the manufacturing and research and development divisions in Germany and Poland.

A European Sales and Distribution Manager has been identified with responsibility for Germany, Russia, Poland and other European markets.

***Berthold Walter, European General Manager (aged 61)***

Berthold is the majority shareholder of EKF, having built the company from inception in 1990. Following Completion, Berthold will be responsible for the manufacturing and research and development functions of the Enlarged Group.

## 16. Share-Based Payments

### 2005 Options

The following options are outstanding as at the date of this document under the 2005 Option Scheme:

<i>Option Holder</i>	<i>Date of Grant</i>	<i>Option price per Ordinary Share</i>	<i>Number of Ordinary Shares under option</i>	<i>Last day of exercise period</i>
Adam Reynolds	28/06/05	20p	625,000	28 June 2011
Gordon Hall	28/06/05	20p	500,000	28 June 2011
Paul Foulger	11/12/09	20p	625,000	28 June 2011

On 28 June 2005 Adam Reynolds was granted options over 1,250,000 Ordinary Shares and on 11 December 2009, entered into a deed of release in respect of 625,000 of those options.

Also, on 11 December 2009, the exercise date of options previously granted was extended to 28 June 2011 and the Board granted Paul Foulger options over 625,000 Ordinary Shares on the terms set out above. Further details of the 2005 Options are set out in paragraphs 4.19 to 4.25 inclusive of Part V of this document.

### Bonus and Share Incentive Scheme Options

This is a share incentive scheme with a bonus payable in Ordinary Shares or, at the discretion of the Board, in Ordinary Shares and cash based on achievement of certain performance hurdles and on the number of Notional Shares granted. The terms of the Scheme are set out in paragraphs 4.11 to 4.18 inclusive of Part V of this document. The maximum entitlements under the Bonus and Share Incentive Scheme for Directors to whom awards have been made are as follows:

<i>Option Holder</i>	<i>Date of Grant</i>	<i>Number of Notional Shares</i>
Paul Foulger*	01/12/05 and 11/12/09	883,659
Adam Reynolds*	11/12/09	883,659
Gordon Hall*	11/12/09	400,000

\* Following the resignation of Tony Hutchinson as a director of the Company on 26 November 2009, his previous entitlements over Notional Shares under the Bonus and Share Incentive Scheme were reallocated on 11 December 2009 as follows: entitlements over 883,659 Notional Shares to Adam Reynolds; entitlements over 383,509 Notional Shares to Paul Foulger; and entitlements over 400,000 Notional Shares to Gordon Hall. The last exercise date for these options is 30 November 2015.

In addition to the option arrangements set out above, options over 650,000 Ordinary Shares with an exercise price of 18.5p and 225,000 Ordinary Shares with an exercise price of 18p are held by third parties, further details of which are as set out in paragraphs 4.26 and 4.27 of Part V of this document.

## 17. Corporate Governance and Internal Controls

The Directors acknowledge the importance of the principles set out in the Combined Code issued by the Committee on Corporate Governance (the "Combined Code"). Although the Combined Code is not compulsory for AIM-quoted companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

Your Board comprises a non-executive Chairman, two executive directors and three further non-executive directors. Your Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Subject to the terms of the executive Directors' service contracts, Directors are subject to retirement by rotation and re-election by the Shareholders at Annual General Meetings each year, as required by the Articles of

Association and any Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election.

The Directors have established Audit and Remuneration Committees.

From Admission, the Audit Committee will comprise Dr. Kevin Wilson as Chairman and Adam Reynolds, and will have primary responsibility for ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee meets no less than twice each year.

From Admission, the Remuneration Committee will comprise Gordon Hall as Chairman and Dr. Kevin Wilson, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and grant of options, having due regard to the interests of Shareholders. The Remuneration Committee meets no less than once each year.

The Directors are aware of the need to comply with Rule 21 of the AIM Rules relating to Directors' dealings and will continue to take all necessary steps to ensure compliance by the Company's applicable employees. The Company will adopt a share dealing code which is appropriate for an AIM quoted company for this purpose.

## **18. Taxation**

General information relating to UK taxation in relation to the Proposals is set out in paragraph 18 of Part V of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the UK, you should consult your own professional adviser immediately.

## **19. General Meeting**

You will find set out at the end of this document a notice convening the General Meeting of the Company to be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on 2 July 2010 at 11.00 a.m. at which the following resolutions will be proposed:

- (i) to approve the Acquisition;
- (ii) to increase the authorised share capital of the Company to £2,500,000 divided into 250,000,000 Ordinary Shares;
- (iii) to authorise the Directors to allot up to £2,080,083 nominal amount of Ordinary Shares;
- (iv) to disapply the statutory pre-emption provisions to enable the Directors in certain circumstances to allot Ordinary Shares for cash other than *pro rata* to Shareholders;
- (v) to change the Company's name to "EKF Diagnostics Holdings plc"; and
- (vi) to update the Company's articles of association to reflect the change of Company name and to bring them in line with the requirements of the 2006 Act.

Upon completion of the Acquisition and Placing, the Company will have 84,623,621 Ordinary Shares authorised but unissued and unreserved. The Directors will have the authority to allot 208,008,347 Ordinary Shares (representing approximately 59.42 per cent. of the Enlarged Issued Share Capital) and in addition, will have the authority to allot 36,000,000 Ordinary Shares (representing approximately 25.28 per cent. of the Enlarged Issued Share Capital) for cash on a non pre-emptive basis.

Whilst the Directors have no current intention of issuing further Ordinary Shares (other than the Consideration shares on the second anniversary of Admission and pursuant to the Share Based Payments set out in paragraph 16 of this Part I), they believe that it is important to have the flexibility to issue a limited number of Ordinary Shares without seeking prior Shareholder approval. Also the Board is in early stage discussions with a potential acquisition target and, if these discussions are successful, it is the Board's current intention to satisfy the consideration by the issue of further new Ordinary Shares.

## **20. Risk Factors**

Your attention is drawn to the risk factors set out in Part II of this document and to the section entitled "Forward Looking Statements" on page 2 of this document. Investors should, in addition to all other information set out in this document, carefully consider the risks described in those sections before making a decision to invest in the Company.

## **21. Additional Information**

You should read the whole of this document and not just rely on the information contained in this letter. Your attention is drawn to the information set out in Parts II to Part V of this document.

## **22. Action to be Taken**

A Proxy Form for use at the General Meeting accompanies this document. Whether or not Shareholders intend to be present at the General Meeting they are requested to complete, sign and return the Proxy Form to Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but in any event so as to arrive by no later than 11.00 a.m. on 30 June 2010. Completion and return of the Proxy Form does not preclude a Shareholder from attending the General Meeting and voting in person if they wish to do so.

## **23. Recommendation**

The Board considers that the Proposals are in the best interests of the Company and would promote the success of the Company for the benefit of its Shareholders as a whole and unanimously recommend you to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their aggregate shareholdings of 5,618,153 Existing Ordinary Shares representing approximately 13.38 per cent. of the Company's Existing Ordinary Shares.

Yours faithfully

David Evans  
*Non-Executive Chairman*

## PART II

### RISK FACTORS RELATING TO THE ENLARGED GROUP

**The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.**

**In addition to the usual risks associated with an investment in a company, the Board considers that the factors and risks described below are the most significant in relation to an investment in the Enlarged Group and should be carefully considered, together with all the information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Enlarged Group and there may be additional risks that the Board currently consider not to be material or of which they are currently not aware.**

**If any of the events described in the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. The information set out below is not set out in any order of priority. The Enlarged Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.**

#### **Business Risks**

##### ***Integration***

The success of the Enlarged Group will be partly dependent on the ability to successfully integrate the Acquisition. The potential strategic risks include an inability to manage the financial and operational transition of the Acquisition. If the integration does not proceed as successfully as the Board expects, or within the envisaged timescale, it could have a detrimental impact on the future financial position of the Enlarged Group. These potential risks are mitigated by a Board with the relevant experience of integrating acquisitions in different geographic territories.

##### ***Strategy***

The Board believes there is a strategic opportunity for the Enlarged Group to enhance revenues compared to those achieved historically by each member of the EKF Group as stand-alone entities. The Board believes that this will be achieved by leveraging existing distribution channels to sell new products that were not previously sold through those distribution channels. Although the Board are confident in their stated strategy there is no certainty that this strategy will be successfully implemented by the Enlarged Group. If the strategy is not successfully implemented this is likely to have a detrimental impact on the trading performance of the Enlarged Group.

##### ***Management of Growth***

The ability of the Enlarged Group to implement its strategy requires effective planning and management control systems. The speed at which the market, particularly for diagnostic devices, develops may place a significant strain on the Enlarged Group's management, operational, financial and personnel resources. Failure to expand and improve operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have a detrimental impact on the trading performance of the Enlarged Group. In mitigation the Enlarged Group has an experienced management team and a clear strategy for the integration and management of the expected business growth.

##### ***Attraction and Retention of Key Employees***

The Enlarged Group will depend on the continued service and performance of the Chairman, Chief Executive Officer and other key employees and whilst it has entered into or will, prior to Admission, enter into, contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Chairman,

Chief Executive Officer or other key employees could damage the Enlarged Group's business. Equally the ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Enlarged Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Enlarged Group.

### ***Regulatory Clearance***

The growth of the Enlarged Group's operations is, to an extent, dependent on obtaining appropriate regulatory clearances on its products from the relevant regulatory organisations in each country in which its products will be sold. If such regulatory clearance is not obtained for certain products this is likely to have a detrimental effect on the trading performance of the Enlarged Group.

In addition, for those products which already have regulatory clearance, the Enlarged Group will need to ensure that such clearances are maintained in order to be able to continue selling those products in certain markets.

### ***Trading in Under-Developed Markets***

Following Admission the Enlarged Group's total revenues will comprise a significant proportion of sales being made into under-developed markets such as Russia where the regulatory environment and trading practices can be different to that of Western Europe. Trading in such markets brings associated potential risks in relation to compliance, state intervention and regulation. These risks are mitigated by the Enlarged Group already having established distribution channels and trading relationships in these countries and by the Board having extensive experience of running international businesses.

### ***Technology Risks***

Technologies used within the diagnostics market place are constantly evolving and improving. Therefore there is a risk that the Enlarged Group's current suite of self developed products may become outdated as improvements in technology are made. To mitigate this risk the Enlarged Group has a research and development department which seeks to keep up with the latest developments in the diagnostic devices industry.

### ***Patents***

The Enlarged Group is focused on protecting its intellectual property ("IP") and seeking to avoid infringing on third parties' IP. To protect its products, the Enlarged Group has secured and is securing patents to protect its key products. However there remains the risk that the Enlarged Group may face opposition from third parties to patents that it seeks to have granted. The Company engages reputable legal advisers to mitigate the risk of patent infringement and to assist with the protection of the Enlarged Group's IP.

### ***Litigation***

EKF is the defendant in patent related litigation in Germany and the US, further details of which are contained in paragraph 15 of Part V of this document. Whilst there is risk with all litigation, the Board considers that EKF's business will most likely not be adversely affected by this litigation.

### ***Competition***

The Enlarged Group is engaged in business activities where there are a number of competitors. Many of these competitors are larger and have access to greater funds than the Enlarged Group. However, the Directors believe that there are a number of barriers to entry to competitors entering the same markets as the Enlarged Group, particularly in relation to the diagnostics market. The Enlarged Group will also benefit from having established sales channels into Europe and Russia which the Board believes is a significant advantage.

### ***Changes in Legislation***

Changes in laws and legislation affecting the diagnostics market could have a negative impact on the Enlarged Group's business activities and consequently may have a detrimental effect upon the future trading performance of the Enlarged Group.



### ***Product Development***

Although the information in Part I of this document suggests that further product development is currently being undertaken by EKF and will continue to be undertaken by the Enlarged Group, the Company cannot guarantee that further products will be developed, successfully launched, or accepted by the market.

### ***Customer Base***

The continued stability and future growth of the business is largely dependent on retaining the majority of the Enlarged Group's existing customers while winning new customers as well. If the Enlarged Group is unable to retain the majority of its customer base this is likely to have a detrimental impact on the trading performance of the Enlarged Group.

### ***Exposure of the Enlarged Group to the Economic Climate***

The trading activities of the Enlarged Group will, to a certain extent, be dependent on the economic environment. The current adverse economic environment may have a detrimental effect on the trading activity and overall results of the Enlarged Group and investors should be aware of the risks involved.

### ***Currency Risk***

The majority of the Enlarged Group's revenue is obtained in currencies other than Sterling. Due to the unpredictable nature of currency exchange rates, the Company cannot guarantee against any losses which may be incurred as a result and its performance might therefore be subject to exchange rate fluctuations. In order to mitigate currency risks, the Board intends to implement a currency hedging policy.

### ***General Risks***

#### ***AIM***

The Enlarged Issued Share Capital will be admitted to AIM and it is emphasised that no application is being made for admission of any of the Ordinary Shares to the Official List or to any other stock exchange at this time. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this document. 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 authorised for the purposes of FSMA who specialises in the acquisition of shares and other securities.

#### ***Liquidity and Possible Price Volatility***

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside of the Enlarged Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Enlarged Group may be influenced by a number of factors, some of which may pertain to the Enlarged Group and others of which are extraneous. These factors could include the performance of the Enlarged Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Enlarged Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Enlarged Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Enlarged Group than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets.

### **Future Funding**

Whilst the Directors have no current plans for raising additional capital immediately after the issue of the Placing Shares and are of the opinion that, taking into account the proceeds of the Placing, the working capital available to the Enlarged Group will be sufficient for its present requirements, it is possible that the Company will need to raise extra capital in the future to develop fully the Enlarged Group's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or to the Company's shareholders.

If further financing is obtained by issuing equity securities or convertible debt securities, the existing shareholders' holdings of Ordinary Shares may be diluted and the new securities may carry rights, privileges and preferences superior to the Ordinary Shares. The Directors may seek debt finance to fund all or part of any future acquisition. There can be no assurance that the Company will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions.

A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Company's control) may make it difficult for the Company to obtain new financing on attractive terms or even at all. If the Company's borrowings become more expensive, then the Company's profits will be adversely affected.

### **Investment Risk**

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of the Ordinary Shares at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend upon there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Enlarged Group and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short-term investment.

### **Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Matters**

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

### **Taxation**

The attention of potential investors is drawn to paragraph 18 of Part V headed "Taxation". The tax rules and their interpretation relating to an investment in the Enlarged Group may change during its life.

Any change in the Enlarged Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Enlarged Group or the Enlarged Group's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Enlarged Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

### **EIS and VCT Relief**

The Company has received notification from HM Revenue & Customs that the Placing Shares will be eligible shares within the meaning of section 204(1) Income Tax Act 2007 ("ITA") and that the Company will be a qualifying company for VCT purposes. Accordingly, a proportion of the Placing Shares should qualify for EIS and VCT relief but the availability of tax relief will depend, *inter alia*, upon the investor and the Company continuing to satisfy various qualifying conditions. The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment.

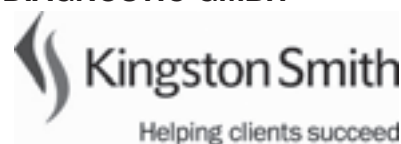
***Legislation and Tax Status***

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of the Enlarged Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Enlarged Group.

**Prospective investors are strongly recommended to consult an investment adviser authorised under FSMA, who specialises in advising on investments of this nature before making any decision to invest in the Ordinary Shares.**

## PART III

### HISTORICAL FINANCIAL INFORMATION ON EKF-DIAGNOSTIC GMBH



15 June 2010

The Directors  
International Brand Licensing Plc  
14 Kinnerton Place  
South London  
SW1X 8EH

The Board of Directors  
Zeus Capital Limited  
3 Ralli Courts  
West Riverside  
Manchester  
M3 5FT

The Board of Directors  
Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

Dear Sirs

#### **EKF-diagnostic GmbH and Its Subsidiaries (the “Group”) – Consolidated Financial Information for the year ended 31 December 2007, 2008 and 2009**

We report on the financial information set out in this Part III. This financial information has been prepared for inclusion in the AIM Admission Document dated 15 June 2010 (“the Admission Document”) of International Brand Licensing Plc on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by the AIM Rules and is given for the purpose of complying with Section 20.1 of Annex 1 to the AIM Rules and for no other purpose.

#### **Responsibilities**

The Directors of International Brand Licensing plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards.

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

#### **Basis of Opinion**

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

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

#### **Opinion**

In our opinion the financial information gives, for the purpose of the Admission Document, a true and fair view of the state of affairs of EKF-diagnostic GmbH at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the Financial Information and in accordance with International Financial Reporting Standards.

**Declaration**

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

Yours faithfully

Kingston Smith LLP  
Chartered Accountants and Registered Auditors  
60 Goswell Road  
London  
EC1M 7AD

**CONSOLIDATED INCOME STATEMENT  
FOR THE THREE YEARS ENDED 31 DECEMBER 2009**

		2009	2008	2007
	Notes	€	€	€
<b>Revenue</b>	3	11,681,873	14,006,859	10,624,129
Cost of sales		<u>(3,756,181)</u>	<u>(7,555,606)</u>	<u>(4,308,134)</u>
<b>Gross profit</b>		7,925,692	6,451,253	6,315,995
Distribution costs and Administrative expenses		(6,209,709)	(5,809,498)	(5,353,250)
Exceptional item	5	(257,000)	134,750	(295,000)
Other operating income		<u>646,000</u>	<u>737,109</u>	<u>816,185</u>
<b>Operating profit</b>	4	2,104,983	1,513,614	1,483,930
Finance income		1,013	37	50
Finance costs	8	<u>(285,813)</u>	<u>(331,842)</u>	<u>(339,548)</u>
<b>Profit before taxation</b>		1,820,183	1,181,809	1,144,432
Taxation	9	(551,204)	(274,327)	(265,099)
Profit share to silent partners		<u>(41,000)</u>	<u>(41,000)</u>	<u>(24,000)</u>
<b>Retained profit for the year from continuing operations</b>		<u><u>1,227,979</u></u>	<u><u>866,482</u></u>	<u><u>855,333</u></u>
<b>Attributable to:</b>				
Equity holders of the parent		1,139,579	808,802	783,333
Minority interest		<u>88,400</u>	<u>57,600</u>	<u>72,000</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE YEARS ENDED 31 DECEMBER 2009**

		2009	2008	2007
	Notes	€	€	€
<b>Profit for the year</b>		1,227,979	866,482	855,333
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations		<u>2,914</u>	<u>(72,286)</u>	<u>(5,000)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>2,914</u>	<u>(72,286)</u>	<u>(5,000)</u>
<b>Total comprehensive income for the year</b>		<u><u>1,230,893</u></u>	<u><u>794,196</u></u>	<u><u>850,333</u></u>
<b>Attributable to:</b>				
Equity holders of the parent		1,142,493	736,596	778,333
Minority interest		<u>88,400</u>	<u>57,600</u>	<u>72,000</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2009**

		31 December 2009	31 December 2008	31 December 2007
	Notes	€	€	€
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	3,765,906	3,263,237	2,131,420
Intangible fixed assets	12	953,000	1,051,091	1,143,734
Deferred tax assets	18	15,634	8,382	2,563
		<u>4,734,540</u>	<u>4,322,710</u>	<u>3,277,717</u>
<b>Current assets</b>				
Inventories	13	3,458,266	2,663,158	3,059,819
Trade and other receivables	14	3,913,734	4,746,606	2,510,052
Financial Assets	15	67,000	44,000	172,000
Cash and cash equivalents		929,893	680,974	455,758
		<u>8,368,893</u>	<u>8,134,738</u>	<u>6,197,629</u>
<b>TOTAL ASSETS</b>		<u><u>13,103,433</u></u>	<u><u>12,457,448</u></u>	<u><u>9,475,346</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of the company</b>				
Ordinary share capital	16	211,188	211,188	211,188
Other reserves		434,400	444,808	1,782,504
Tax reserve		153,000	108,000	49,000
Retained earnings		2,374,050	1,441,107	(219,499)
		<u>3,172,238</u>	<u>2,205,103</u>	<u>1,823,193</u>
<b>Minority interest</b>		<u>255,200</u>	<u>174,000</u>	<u>152,400</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Trade payables & other payables		1,226,442	173,000	102,000
Borrowings	20	1,175,000	2,017,000	1,162,000
Tax reserve		82,000	58,000	26,000
		<u>3,230,762</u>	<u>2,248,000</u>	<u>1,290,000</u>
<b>Current liabilities</b>				
Trade and other payables	19	4,261,983	6,979,499	3,636,753
Borrowings	20	1,766,000	690,596	2,278,000
Provisions for other liabilities and charges	21	417,250	160,250	295,000
		<u>6,445,233</u>	<u>7,830,345</u>	<u>6,209,753</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>13,103,433</u></u>	<u><u>12,457,448</u></u>	<u><u>9,475,346</u></u>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 €	2008 €	2007 €
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation	1,820,183	1,181,809	1,144,432
Adjustments for:			
Finance income	1,804	6,746	5,480
Receivables written off	2,000	5,000	–
Loss on disposal of fixed assets	49,000	16,000	5,000
Accruals	(76,000)	3,000	349,000
Depreciation and amortisation	761,999	548,124	514,031
Decrease/(increase) in inventories	(756,108)	420,661	(414,527)
Decrease/(increase) in trade and other receivables	864,872	(2,236,554)	(264,213)
(Decrease)/increase in trade and other payables	(1,203,392)	2,323,808	(338,104)
<b>Cash generated from operations</b>	1,464,358	2,268,594	1,001,099
Interest paid	(817)	(1,782)	(480)
Tax (received)/paid	260,263	103,236	(144,609)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	1,723,804	2,370,048	856,010
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(1,528,000)	(1,579,689)	(581,754)
Proceeds from sale of property, plant and equipment	141,000	–	–
Decrease/(Increase) financial assets	(23,000)	128,000	(22,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(1,410,000)	(1,451,689)	(603,754)
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings	418,000	(361,371)	(250,000)
Payment of finance lease liabilities	(157,000)	(126,000)	(77,000)
Dividends paid to company shareholders	(325,885)	(178,772)	(321,660)
Dividends paid to minority interests	–	(27,000)	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(64,885)	(693,143)	(648,660)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	248,919	225,216	(396,404)
Cash and cash equivalents at beginning of year	680,974	455,758	852,162
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	929,893	680,974	455,758

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE YEARS ENDED 31 DECEMBER 2009**

	<i>Ordinary share capital</i>	<i>Retained Earnings</i>	<i>Other reserve</i>	<i>Tax reserve</i>	<i>Total Equity</i>
	€	€	€	€	€
<b>Balance at 1 January 2007</b>	211,188	(737,244)	–	–	(526,056)
Profit/(loss) for year	–	854,563	1,780,904	49,000	2,684,467
<b>Transactions with owners:</b>					
Dividends paid	–	(182,818)	–	–	(182,818)
<b>Balance as at 31 December 2007</b>	211,188	(65,499)	1,780,904	49,000	1,975,593
Profit/(loss) for year	–	794,196	(64,896)	59,000	788,300
<b>Transactions with owners:</b>					
Transfer from other reserve	–	1,298,000	(1,298,000)	–	–
Dividends paid	–	(384,790)	–	–	(384,790)
<b>Balance as at 31 December 2008</b>	211,188	1,641,907	418,008	108,000	2,379,103
Profit/(loss) for year	–	1,230,893	(18,008)	45,000	1,257,885
<b>Transactions with owners:</b>					
Dividends paid	–	(209,550)	–	–	(209,550)
<b>Balance as at 31 December 2009</b>	<u>211,188</u>	<u>2,663,250</u>	<u>400,000</u>	<u>153,000</u>	<u>3,427,438</u>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE YEARS ENDED 31 DECEMBER 2009**

### **1. ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

#### **Basis of preparation**

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the IFRIC interpretations. These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets, and financial assets and liabilities (including derivatives) held at fair value through profit or loss.

#### **Consolidation**

The consolidated financial statements of the company are prepared on an aggregated basis in accordance with the guidance contained in Standard for Investment Reporting (SIR) 2000 issued by the APB. Inter-company transactions and balances between group companies are eliminated on aggregation.

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies of the subsidiary and therefore exercises control. The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains the relevant level of control and are de-consolidated from the date at which control ceases.

#### **Segment reporting**

In accordance with IFRS 8, segmental information is presented based on the way in which financial information is reported internally to the chief operating decision maker.

Information regarding geographical revenues and non-current assets is disclosed in note 3 to the financial statements.

#### **Revenue recognition**

Revenue is the value of goods and services provided by the Group to customers, net of VAT and discounts. Revenue in respect of goods is recognised when the goods have been delivered to the customer. Revenue in respect of services is recognised when the Group has obtained the right to consideration for performance of the service. Revenue on a particular project or service is recognised as activity on the project or service progresses. Where no fee is payable until a critical event is achieved, revenue is not recognised until that critical event has occurred.

#### **Taxation**

The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantially enacted at the balance sheet

date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Foreign currency translation**

Items included in the financial statements of each group company are measured using their functional currency, being the currency of the primary economic environment in which each company operates. The consolidated financial statements are presented in Euros, which is the functional currency of the group as a whole.

Foreign currency transactions are translated using the rate of exchange applicable at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the year end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of group companies whose functional currency is not Euros are translated as follows:

- Assets and liabilities at each balance sheet date presented are translated using the closing exchange rate at that balance sheet date;
- Income and expenses for each income statement are translated using average exchange rates which reasonably approximate the effect of the rates prevailing on the transaction dates.

All resulting exchange differences are recognised on the group balance sheet in a separate component of equity, the translation reserve. When a foreign subsidiary is disposed of, exchange differences recognised in equity relating to that subsidiary are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **Property, plant and equipment**

Land and buildings comprise the properties out of which the group operates and are stated at their deemed cost, being their cost under German GAAP at the date of transition to IFRS, less subsequent depreciation for buildings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. All other assets are depreciated in order to write off the costs, less anticipated residual values of the assets over their useful economic lives on a straight line basis as follows:

- Freehold buildings: 50 years
- Long leasehold buildings: over the life of the lease
- Plant and machinery: 5-10 years
- Motor vehicles: 5 years

Items of property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the useful economic life of the asset.

### **Intangible assets**

Acquired intangible assets are shown at historical cost. Acquired intangible assets have a finite useful life and are carried at cost, less accumulated amortisation over the finite useful life. The useful lives of the acquired intangible assets range from 10 to 15 years.

### **Impairment of assets**

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in the income statement in the year in which it occurs.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. Net realisable value is the estimated selling price of the stocks less any applicable costs to sell.

### **Trade and other receivables**

Trade and other receivables are stated at their original invoiced value, less any appropriate allowance for estimated irrecoverable amounts.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **Share capital**

Ordinary shares of the company are classified as equity.

### **Trade payables**

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. As the payment period of trade payables is short future cash payments are not discounted as the effect is not material.

### **Borrowings**

Interest-bearing borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method with any difference between the proceeds (net of transaction costs) and the redemption value being recognised over the period of the borrowings.

All borrowings are classified as current unless the group has an unconditional right to defer payment of the borrowings until at least twelve months from the balance sheet date.

### **Provisions**

Provisions are recognised in the balance sheet where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are discounted using a rate which reflects the effect of the time value of money and the risks specific to the obligation, where the effect of discounting is material.

## **Leases**

On inception of a lease of an item of property, plant and equipment, the terms and conditions of the lease are reviewed to determine the appropriate classification for the lease. Where the Group bears substantially all the risks and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the term of the lease.

Rental income received under operating leases is credited to the income statement on a straight line basis over the lease term.

## **Pensions**

The group operates a defined contribution pension scheme under which fixed contributions are payable. Pension costs charged to the income statement represent amounts payable to the scheme during the year.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent. of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

## **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being International Financial Reporting Standards as adopted by the European Union, requires the directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

The significant judgements made by management in applying the Group's accounting policies as set out above, and the key sources of estimation, were:

- Impairment of intangible fixed assets: the group tests annually for impairment, in accordance with the accounting policy stated in note 1 above. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each cash generating unit and also to estimate a suitable discount rate in order to calculate the present values of the anticipated future cash flows.
- Allocation to finance lease: The allocation of leasing contracts to either finance or to operating leases.

## **3. SEGMENTAL REPORTING**

### **Geographical information**

The group's business segments operate in three geographical areas, although they are managed on a worldwide basis from the group's head office in Germany.

A geographical analysis of the group's non-current assets is given below. Non-current assets are allocated based on the physical location of the asset. An analysis of revenue has not been disclosed as the directors of EKF have been unable to extract this information.

	2009	2008	2007
	€	€	€
<b>Non-current assets</b>			
Germany	4,644,540	4,243,710	3,224,717
Rest of Europe	90,000	79,000	53,000
	<u>4,734,540</u>	<u>4,322,710</u>	<u>3,277,717</u>

#### 4. OPERATING PROFIT

Group operating profit for the year is stated after charging/(crediting) the following:

	2009	2008	2007
	€	€	€
Total depreciation of property, plant and equipment	641,894	427,579	415,577
Depreciation of property, plant and equipment under finance leases	24,950	23,536	13,618
Amortisation of Intangible fixed assets	120,105	120,545	114,454
Operating lease rentals – land and buildings	23,111	24,017	26,551
Operating lease rentals – other	143,363	123,550	126,296
Auditors' remuneration – audit	35,000	41,000	40,000
(Profit)/loss on disposal of fixed assets	49,000	16,000	5,000

#### 5. EXCEPTIONAL ITEMS

The exceptional items relate to the provision of legal cost regarding litigation for patent infringement. The directors do not believe they will be liable for the claim and have not provided for such expense.

#### 6. EMPLOYEES

	2009	2008	2007
	€	€	€
Staff costs comprised:			
Wages and salaries	2,881,747	2,756,420	2,423,487
Social security costs	630,759	479,102	450,079
Other pension costs	84,095	87,588	89,037
	<u>3,596,601</u>	<u>3,323,110</u>	<u>2,962,603</u>

The average monthly number of employees, including directors, employed by the group during the year was:

142	122	115
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## 7. DIRECTORS' EMOLUMENTS

	2009	2008	2007
	€	€	€
Emoluments, including benefits in kind	<u>227,543</u>	<u>211,022</u>	<u>229,441</u>

The number of directors accruing benefits under money purchase pension schemes were nil (2008: nil)

The emoluments of the highest paid director were as follows:

	2009	2008	2007
	€	€	€
Emoluments, including benefits in kind	<u>155,993</u>	<u>139,559</u>	<u>158,710</u>

## 8. FINANCE COSTS

	2009	2008	2007
	€	€	€
Bank loans and overdrafts	113,813	159,842	169,548
Interest rate hedging	–	4,000	55,000
Other interest	<u>172,000</u>	<u>168,000</u>	<u>115,000</u>
	<u>285,813</u>	<u>331,842</u>	<u>339,548</u>

## 9. TAXATION

	2009	2008	2007
	€	€	€
<b>Group</b>			
Current tax charge	<u>503,429</u>	<u>186,700</u>	<u>196,696</u>
	503,429	186,700	196,696
Deferred tax	42,000	76,000	70,000
Origination and reversal of timing differences (note 18)	(7,252)	(5,819)	(1,747)
Other	<u>13,027</u>	<u>17,446</u>	<u>150</u>
<b>Total tax charge/(credit) for period</b>	<u>551,204</u>	<u>274,327</u>	<u>265,099</u>

The tax charge for the year is different from the standard rate of corporation tax in Germany, Poland and Russia at an average of 19%. The difference can be reconciled as follows:

Profit before taxation	<u>1,820,183</u>	<u>1,181,809</u>	<u>1,144,432</u>
Tax calculated at the applicable rate based on profit for the year	345,835	224,544	217,442
Expenses not deductible for taxation	<u>205,369</u>	<u>49,783</u>	<u>47,657</u>
	<u>551,204</u>	<u>274,327</u>	<u>265,099</u>

## 10. DIVIDENDS

	2009	2008	2007
	€	€	€
Dividend paid during the year	<u>209,550</u>	<u>384,790</u>	<u>182,818</u>



## 11. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i> €	<i>Fixtures and fittings</i> €	<i>Motor vehicles</i> €	<i>Total</i> €
<b>Cost/valuation</b>				
At 1 January 2007	16,178	2,106,600	1,399,000	3,521,778
Additions	–	226,219	352,000	578,219
Disposals	–	–	(20,000)	(20,000)
At 31 December 2007	16,178	2,332,819	1,731,000	4,079,997
Additions	–	688,396	888,000	1,576,396
Foreign exchange differences	–	(3,000)	(1,000)	(4,000)
Disposals	–	(16,000)	(2,000)	(18,000)
At 31 December 2008	16,178	3,002,215	2,616,000	5,634,393
Additions	521,000	349,563	681,000	1,551,563
Reclassifications	–	(218,000)	–	(218,000)
Foreign exchange differences	–	(3,000)	(244,000)	(247,000)
Disposals	–	–	(1,000)	(1,000)
<b>At 31 December 2009</b>	<b>537,178</b>	<b>3,130,778</b>	<b>3,052,000</b>	<b>6,719,956</b>
<b>Depreciation</b>				
At 1 January 2007	1,000	842,000	706,000	1,549,000
Charge for the year	1,851	216,726	197,000	415,577
Released on disposal	–	–	(16,000)	(16,000)
At 31 December 2007	2,851	1,058,726	887,000	1,948,577
Charge for the year	1,851	226,728	199,000	427,579
Foreign exchange differences	–	(2,000)	–	(2,000)
Released on disposal	–	(3,000)	–	(3,000)
At 31 December 2008	4,702	1,280,454	1,086,000	2,371,156
Charge for the year	3,851	278,043	360,000	641,894
Foreign exchange differences	–	(1,000)	–	(1,000)
Released on disposal	–	–	(58,000)	(58,000)
<b>At 31 December 2009</b>	<b>8,553</b>	<b>1,557,497</b>	<b>1,388,000</b>	<b>2,954,050</b>
<b>Net book value as at 31 December 2009</b>	<b>528,625</b>	<b>1,573,281</b>	<b>1,664,000</b>	<b>3,765,906</b>
Net book value as at 31 December 2008	11,476	1,721,761	1,530,000	3,263,237
Net book value as at 31 December 2007	13,327	1,274,093	844,000	2,131,420

Included in motor vehicles are assets under finance leases which had a net book value at 31 December 2009 of €29,288 (31 December 2008: €37,265; 1 January 2008: €61,119). Depreciation charged on these assets for 2009 was €24,950 (2008: €23,536; 2007: €13,618).

## 12. INTANGIBLE ASSETS

	<i>Customer Lists &amp; Brands</i> €	<i>Trademarks &amp; licences</i> €	<i>Total</i> €
<b>Cost</b>			
At 1 January 2007	1,550,000	128,000	1,678,000
Additions	–	7,188	7,188
Disposals	–	–	–
At 31 December 2007	1,550,000	135,188	1,685,188
Additions	–	27,031	27,031
Disposals	–	–	–
At 31 December 2008	1,550,000	162,219	1,712,219
Additions	–	22,885	22,885
Disposals	–	(13,000)	(13,000)
<b>At 31 December 2009</b>	1,550,000	172,104	1,722,104
<b>Amortisation and impairment</b>			
At 1 January 2007	310,000	117,000	427,000
Amortisation charge for year	104,000	10,454	114,454
At 31 December 2007	414,000	127,454	541,454
Amortisation charge for year	103,000	16,674	119,674
At 31 December 2008	517,000	144,128	661,128
Amortisation charge for year	103,000	17,105	120,105
Released on disposal	–	(12,129)	(12,129)
<b>At 31 December 2009</b>	620,000	149,104	769,104
<b>Net book value as at 31 December 2009</b>	930,000	23,000	953,000
Net book value as at 31 December 2008	1,033,000	18,091	1,051,091
Net book value as at 31 December 2007	1,136,000	7,734	1,143,734

## 13. INVENTORIES

	2009 €	2008 €	2007 €
Raw materials	1,287,863	1,485,336	1,177,451
Work in progress	853,000	463,000	401,000
Finished goods	1,308,777	691,595	1,457,711
Goods for resale	8,420	23,227	23,656
Other	206	–	–
	3,458,266	2,663,158	3,059,819

#### 14. TRADE AND OTHER RECEIVABLES

	2009	2008	2007
	€	€	€
Trade receivables	3,048,443	3,941,634	1,298,590
Less: provision for doubtful receivables	(71,621)	(28,932)	(1,000)
	<u>2,976,822</u>	<u>3,912,702</u>	<u>1,297,590</u>
Dividends advance payment	108,333	–	185,657
Current income tax overpayment	20,741	–	1,184
Other debtors	720,169	764,184	986,644
Prepayments and accrued income	87,669	69,720	38,977
	<u><u>3,913,734</u></u>	<u><u>4,746,606</u></u>	<u><u>2,510,052</u></u>

#### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008	2007
	€	€	€
<b>Assets</b>			
Money market funds	<u>67,000</u>	<u>44,000</u>	<u>172,000</u>

Free cash of the companies is invested in money market funds.

#### 16. SHARE CAPITAL

	2009	2008	2007
	€	€	€
Ordinary shares	<u>211,188</u>	<u>211,188</u>	<u>211,188</u>

Share capital represents the aggregate amounts of issued shares of all group companies.

#### 17. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The directors regularly reviews and agrees policies for managing each of these risks which are summarised below.

##### Interest rate risk

The group's exposure to the risk of changes in market interest rates relates principally to the group's medium and long term debt obligations which carry various rates of interest. All such borrowings are denominated in Euro.

The Group's bank loan profile as at 31 December 2009 is summarised below:

	2009	2008	2007
	€	€	€
Less than one year	486,100	264,700	538,600
One to five years	679,800	680,700	861,200
	<u><u>1,165,900</u></u>	<u><u>945,400</u></u>	<u><u>1,399,800</u></u>

The average rate of interest of bank liabilities in 2009 is 4.4 per cent. and fixed until maturity.

## Credit risk

Credit risk arises principally from credit exposure to customers including committed transactions and outstanding receivables. We have no further information the credit risk management of the group.

## Liquidity risk

The group's objective is to maintain a balance between the availability of sufficient continued funding and flexibility through the use of bank finance by means of overdraft facilities and loan facilities.

## 18. DEFERRED TAXATION

### Deferred tax assets

	<i>Tax losses</i>	<i>Other</i>	<i>Total</i>
	€	€	€
At 1 January 2007	–	816	816
Credited/(charged) to the income statement	1,667	80	1,747
Credited/(charged) directly in equity	–	–	–
At 31 December 2007	1,667	896	2,563
Credited/(charged) to the income statement	3,014	2,805	5,819
Credited/(charged) directly in equity	–	–	–
At 31 December 2008	4,681	3,701	8,382
Credited/(charged) to the income statement	9,890	(2,638)	7,252
Credited/(charged) directly in equity	–	–	–
At 31 December 2009	<u>14,571</u>	<u>1,063</u>	<u>15,634</u>

A deferred tax asset of €14,571 has been recognised in respect of tax losses previously unutilised as it is considered probable that the group will generate future taxable profits against which its unutilised tax losses can be offset.

### Deferred tax liabilities

	<i>Other</i>	<i>Total</i>
	€	€
At 1 January 2007	–	–
Charged/(credited) to the income statement	70,000	70,000
Charged/(credited) directly in equity	–	–
At 31 December 2007	70,000	70,000
Charged/(credited) to the income statement	76,000	76,000
Charged/(credited) directly in equity	–	–
At 31 December 2008	146,000	146,000
Charged/(credited) to the income statement	42,000	42,000
Charged/(credited) directly in equity	–	–
At 31 December 2009	<u>188,000</u>	<u>188,000</u>

## 19. TRADE AND OTHER PAYABLES

	2009	2008	2007
	€	€	€
<b>Current</b>			
Trade payables	3,151,233	3,680,749	745,753
Other payables	829,300	2,210,331	1,894,740
Taxation and social security	670,020	284,669	162,260
Accruals and deferred income	358,750	803,750	834,000
	<u>4,261,983</u>	<u>6,979,499</u>	<u>3,636,753</u>

## 20. BORROWINGS

	2009	2008	2007
	€	€	€
<b>Non-current</b>			
Bank loans	680,000	681,000	861,000
Finance leases	10,000	63,000	206,000
Other loans	485,000	1,273,000	95,000
	<u>1,175,000</u>	<u>2,017,000</u>	<u>1,162,000</u>
<b>Current</b>			
Bank loans and overdrafts	486,000	265,000	539,000
Finance leases	67,000	144,000	118,000
Other loans	1,213,000	281,595	1,621,000
	<u>1,766,000</u>	<u>690,595</u>	<u>2,278,000</u>

Of the group's bank borrowings a total of €200,293 at 31 December 2009 in relation to one of the loans is secured on the group's land, buildings and machines as well as a guarantee by Berthold Walter. Other borrowings are secured on certain assets of the group.

At 31 December 2009 the group had obligations under finance leases as set out below:

	2009	2008	2007
	€	€	€
Obligations under finance leases are analysed:			
Within one year	67,000	144,000	118,000
In two to five years	10,000	62,000	206,000
In over five years	–	–	–
	<u>77,000</u>	<u>206,000</u>	<u>324,000</u>

## 21. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Litigation</i>	<i>Total</i>
	€	€
At 1 January 2007	–	–
Provision for litigation	295,000	295,000
Released in year	–	–
	<hr/>	<hr/>
At December 2007	295,000	295,000
Provision for litigation	32,250	32,250
Released in year	(167,000)	(167,000)
	<hr/>	<hr/>
At December 2008	160,250	160,250
Provision for litigation	400,000	400,000
Released in year	(143,000)	(143,000)
	<hr/>	<hr/>
At 31 December 2009	<u>417,250</u>	<u>417,250</u>

The above provisions are in relation to anticipated legal costs of defending the patent claims discussed in note 24.

## 22. PENSIONS

The group operates a defined contribution pension scheme the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions made by the company to the fund and amounted to €84,095 (2008: €87,588; 2007: €89,037).

The Group operates funded defined benefit plans for Berthold Walter.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 by Klaus Ullraum and Karin Schedler, qualified German actuaries.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	5.63%
Expected return on plan assets	4.10%
Expected rate of salary increase	0.00%
Expected rate of pension increase	1.25%

Amounts recognised in the profit and loss account are as follows:

	<i>2009</i>
	€
Current service cost	9,029
Interest on obligation	10,176
Expected return on plan assets	4,176
Actuarial losses/(gains) recognised in the year	(1,066)
	<hr/>
	<u>13,963</u>

The charge for the year is included in the employee benefits expense in the income statement.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2009
	€
Present value of funded defined benefit obligation	180,746
Fair value of plan assets	(101,861)
Deficit	78,885
Net actuarial gains and losses not recognised	22,339
Net liability/(asset) arising from defined benefit obligation	<u>101,224</u>

The group maintains an insurance policy to cover the plan deficit hence a corresponding asset for the same amount is included within receivables.

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2009
	€
Opening defined benefit obligation	150,315
Current service cost	7,967
Interest cost	9,500
Actuarial loss	12,964
Closing defined benefit obligation	<u>180,746</u>

Movements in the present value of the plan assets in the current period were as follows:

	2009
	€
Opening fair value of plan assets	89,470
Contributions from the employer	9,111
Expected return on plan assets	3,668
Actuarial gains/(losses)	(388)
Closing fair value of plan assets	<u>101,861</u>

### 23. FINANCIAL COMMITMENTS

At 31 December 2009 the group had the following annual commitments under operating leases:

	2009		2008		2007	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	€	€	€	€	€	€
Operating leases expiring:						
Within one year	5,778	–	23,110	76,188	23,110	77,379
In two to five years	–	24,000	5,777	12,000	28,887	76,188
In over five years	–	16,000	–	9,000	–	–
At 31 December	<u>5,778</u>	<u>40,000</u>	<u>28,887</u>	<u>97,188</u>	<u>51,997</u>	<u>153,567</u>

### 24. CONTINGENT LIABILITIES

The provision for claims on the European and US patent infringement have not been provided as, after taking legal advice, the directors believe that they will be successful in defending the claim.

## **25. RELATED PARTY TRANSACTIONS**

During the year, EKF-Diagnostika purchased merchandise from EKF Diagnostic sales GmbH, a company where Walter Berthold is a majority shareholder, for €1,793,000 under normal commercial terms (2008: €1,992,000; 2007: €2,215,000).

During the year, EKF – Diagnostyka SP. Z O. O. purchased goods for €354,336 from EKF Diagnostic Sales GmbH (2008: €324,629; 2007: €189,798) and €129,855 from EKF Diagnostic GmbH (2008: €80,283; 2007: €128,934).

At the year end, EKF – Diagnostyka SP. Z O. O. owed €101,631 to EKF Diagnostic sales GmbH (2008: €126,191; 2007: €63,219) and €38,476 to EKF Diagnostic Sales GmbH (2008: €6,064; 2007: €44,443).



## PART IV

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS AND INCOME STATEMENT FOR THE ENLARGED GROUP



The Board of Directors  
International Brand Licensing Plc  
14 Kinnerton Place  
South London  
SW1X 8EH

The Board of Directors  
Zeus Capital Limited  
3 Ralli Courts  
West Riverside  
Manchester  
M3 5FT

The Board of Directors  
Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

15 June 2010

Dear Sirs

#### **International Brand Licensing Plc**

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part IV of the Admission Document dated 15 June 2010, which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by International Brand Licensing plc in preparing the financial statements for the period ended 31 December 2009. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance issued by the London Stock Exchange and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of International Brand Licensing Plc to prepare the Pro forma financial information in accordance with guidance issued by the London Stock Exchange. It is our responsibility to form an opinion, as required by guidance issued by the London Stock Exchange, as to the proper compilation of the Pro forma financial information and to report that opinion to you. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of International Brand Licensing Plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies to be adopted by International Brand Licensing Plc.

**Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies to be adopted by International Brand Licensing plc.

**Declaration**

For the purposes of the guidance issued by the London Stock Exchange 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 guidance issued by the London Stock Exchange.

Yours faithfully

Kingston Smith LLP  
Chartered Accountants and Registered Auditors  
60 Goswell Road  
London  
EC1M 7AD

## PRO FORMA STATEMENT OF NET ASSETS

The unaudited Pro Forma Statement of Net Assets of IBL, illustrating the effect on IBL of the acquisition of EKF and the proposed Placing as if the transactions had taken place on 31 December 2009, is set out below. The Pro Forma statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of IBL.

	<i>IBL</i>	<i>EKF</i>	<i>EKF</i>	<i>Placing</i>	<i>Other</i>	<i>Pro Forma</i>
	<i>31 Dec 09</i>	<i>31 Dec 09</i>	<i>Acquisition</i>	<i>31 Dec 09</i>	<i>Adjustments</i>	<i>31 Dec 09</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	
<b>ASSETS</b>						
<b>Current assets</b>						
Inventory	–	3,097				3,097
Trade and other receivables	3	3,505				3,508
Other securities		60				60
Other Debtors	700	–				700
Intangibles	473	–			(375)	98
Cash	3,037	833	(10,137)	13,521	(3,157)	4,097
Total current assets	<u>4,213</u>	<u>7,495</u>				<u>11,560</u>
<b>Non-current assets</b>						
Intangible assets	1,949	853	9,755			12,557
Tangible assets	–	3,372			1,791	5,163
Deferred income tax assets	94	14				108
Available for sale financial assets	141	–				141
Total non-current assets	<u>2,184</u>	<u>4,239</u>				<u>17,969</u>
<b>Total Assets</b>	<u><u>6,397</u></u>	<u><u>11,734</u></u>				<u><u>29,529</u></u>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Trade and other payables	104	2,822				2,927
Loans and borrowings	–	1,581			(1,104)	477
Accruals and deferred income	–	695				695
Other creditors	673	673				1,346
Total current liabilities	<u>777</u>	<u>5,772</u>				<u>5,445</u>
<b>Non-current liabilities</b>						
Trade payables & other payables	–	1,841			(637)	1,204
Loans and borrowings	–	1,052				1,052
Total non-current liabilities	<u>–</u>	<u>2,893</u>				<u>2,256</u>
<b>Capital and reserves</b>	<u>5,620</u>	<u>3,069</u>	(382)	13,521		<u>21,828</u>
<b>Total liabilities and equity</b>	<u><u>6,397</u></u>	<u><u>11,734</u></u>				<u><u>29,529</u></u>

### Notes

1. The balance sheet of IBL has been extracted from the audited financial statements for the year ended 31 December 2009.
2. The balance sheet of EKF has been extracted from the Short Form Report of EKF included in Part III of this Admission Document translated at the €:£ exchange rate prevailing at the year end.

3.	EKF consideration is €11,320,000 million cash on completion and €3 million deferred and satisfied by the issue of 16,732,482 new Ordinary Shares at the Placing Price. EKF's net assets have been deducted to calculate goodwill arising on acquisition.	£'000
	Cash consideration EKF	10,137
	Deferred shares consideration EKF	2,687
	Net assets at 31 December 2009	<u>(3,069)</u>
	Goodwill	<u>9,755</u>
4.	Fundraising	£'000
	Placing of 100,435,653 new Ordinary Shares at 15p per share	15,065
	Expenses, costs and commissions	<u>(1,544)</u>
		<u>13,521</u>
5.	Adjustments have been made to reflect the following transactions:	
(a)	Acquisition of property	
	As part of the transaction a property used by EKF and owned personally by the vendor will be acquired for a consideration of €2,000,000 (£1,791,000).	
(b)	Repayment of loans	
	A total of €1,944,000 (£1,741,000) of loans within EKF will be repaid on completion.	
(c)	Sale of Brands	
	In January 2010 IBL disposed of its 49 per cent. stake in Admiral Asia Limited for a cash consideration of £375,000.	

## PRO FORMA INCOME STATEMENT

The unaudited Pro Forma Income Statement of IBL, illustrating the effect on IBL of the acquisition of EKF as if it had been part of the Group for the year ended 31 December 2009, is set out below. The Pro Forma statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial performance of IBL.

	<i>IBL</i>	<i>EKF</i>	<i>Pro forma</i>
	<i>31 Dec 09</i>	<i>31 Dec 09</i>	<i>31 Dec 09</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>	256	10,917	11,173
Cost of sales	–	(3,509)	(3,509)
<b>Gross profit</b>	256	7,408	7,664
Other income	29	605	634
Administrative expense	(558)	(5,068)	(5,626)
<b>Profit from Operations</b>	(273)	2,945	2,672
Depreciation and Amortisation	(3)	(735)	(738)
Exceptional costs	–	(240)	(240)
Finance expense	(1)	(267)	(268)
<b>Profit (Loss) before tax</b>	(277)	1,703	1,426
Tax	74	(514)	(440)
Silent Partners' Profit Share	–	(39)	(39)
<b>Profit (Loss) after tax</b>	(203)	1,150	947

### Notes

1. The profit after tax, with respect to EKF, is attributable as follows:

	<i>EKF</i>
	<i>31 Dec 09</i>
	<i>£'000</i>
Equity holders of the parent	1,066
Minority interest	84
	1,150

2. The income statement of IBL has been extracted from the audited financial statements for the year ended 31 December 2009.
3. The income statement of EKF has been extracted from the Short Form Report of EKF included in Part III of this Admission Document translated at the average €:£ exchange rate for the year.

**PART V**

**ADDITIONAL INFORMATION**

**1. The Company**

- 1.1 The Company is incorporated and trades under the name International Brand Licensing plc.
- 1.2 The Company is domiciled in the United Kingdom and was incorporated and registered in England and Wales on 7 January 2002 as a private limited company with the name Eaglecraft Limited and registered number 04347937. On 23 April 2002 Eaglecraft Limited changed its name to International Brand Licensing Limited. The liability of its members is limited.
- 1.3 The Company re-registered as a public company on 25 April 2002 and the Company's name was changed to International Brand Licensing plc.
- 1.4 The Company is governed by and its securities were created under the 2006 Act.
- 1.5 The Company's registered office and principal place of business is located at 14 Kinnerton Place South, London, SW1X 8EH. The telephone number of the Company's registered address and principal place of business is 020 7823 1733.
- 1.6 The Company has no administrative, management or supervisory bodies other than the Board of Directors, the remuneration committee and the audit committee, all of whose members are Directors.
- 1.7 The Company's auditors are Gerald Edelman, 25 Harley Street, London W1G 9BR, who are members of the Institute of Chartered Accountants.

**2. Securities being offered/admitted**

- 2.1 The Ordinary Shares are ordinary shares of 1 pence each in the capital of the Company and were issued in British Pounds Sterling. The ISIN of the Ordinary Shares is GB0031509804.
- 2.2 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred, otherwise than by a written instrument in accordance with the CREST Regulations. The Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Kent, BR3 4TU are responsible for keeping the Company's register of members.
- 2.3 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 7 of this Part V.
- 2.4 Section 561 of the 2006 Act gives the Shareholders pre-emption rights on any issue of shares by the Company to the extent not disapplied by a special resolution passed pursuant to section 570 of the 2006 Act. Details of the proposed disapplications of sections 551 and 570 of the 2006 Act are set out in sub-paragraph 2.8 below.
- 2.5 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital; further details of which are set out in paragraph 7 below.
- 2.6 Each Ordinary Share is entitled on a *pari passu* basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company.
- 2.7 The Ordinary Shares have no redemption or conversion provisions save that the Company may by ordinary resolution convert any paid up shares into stock.
- 2.8 It is proposed that at the General Meeting to be held on 2 July 2010, the Directors will be authorised to allot and issue the new Ordinary Shares pursuant to:
  - (a) an ordinary resolution authorising the Directors pursuant to section 551 of the 2006 Act to allot Ordinary Shares with an aggregate nominal value of up to £2,080,083; and

- (b) a special resolution authorising the Directors pursuant to section 570 of the 2006 Act to, *inter alia*, allot the new Ordinary Shares for cash pursuant to the authority referred to in sub-paragraph 2.8 (a) above as if section 561(1) of the 2006 Act did not apply to such allotment;

such authorities to expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 (unless previously renewed, varied or revoked by the Company in general meeting).

- 2.9 It is anticipated that the First Tranche Placing Shares will be issued on or around 5 July 2010, the date of First Admission, the Second Tranche Placing Shares will be issued on or around 6 July 2010, the date of Second Admission and the Third Tranche Placing Shares will be issued on or around 7 July 2010, the date of Third Admission. The Consideration Shares will be issued on the date falling 24 months after completion of the Acquisition.
- 2.10 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 2.11 The Company is, and will remain, subject to the Code. Under Rule 9 of the Code ("**Rule 9**"), any person, or group of persons acting in concert, who acquires, whether by a series of transactions over a period of time or not, an interest in shares which taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, or any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, is normally required by the Panel to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him or any persons acting in concert with him within the preceding twelve months. Rule 9 is subject to a number of dispensations.

In addition, in the event an offeror acquires at least nine-tenths in value of the issued share capital of the company to which the offer relates the offeror may, in accordance with the procedure set out in section 979 of the 2006 Act, require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.

- 2.12 No person has made a public takeover bid for the Company's issued share capital in the financial period to 31 December 2009 or in the current financial period.
- 2.13 A Shareholder is required pursuant to Disclosure and Transparency Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority, to notify the Company when he acquires or disposes of a major proportion of the voting rights of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital.

### 3. Share Capital of the Company

- 3.1 The authorised and issued share capital of the Company as at 31 December 2009, until the date of this document, was and after the Placing and Admission will be as follows:

<i>Authorised</i>		<i>Fully paid</i>	<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
50,000,000	£500,000	<i>Ordinary shares of 1p as at the date of this document</i>	41,991,653	£419,917
250,000,000	£2,500,000	<i>Ordinary shares of 1p immediately after Admission</i>	142,427,306	£1,424,273

- 3.2 During the period from 31 December 2009 until the date of this document, the Company has not allotted or issued any Ordinary Shares.



- 3.3 The Placing will result in the allotment and issue of 100,435,653 Ordinary Shares, diluting existing holders of Ordinary Shares by 70.52 per cent.
- 3.4 The par value of each Ordinary Share is 1 pence.
- 3.5 The Company has no issued Ordinary Shares that are not fully paid up.
- 3.6 During the period from 1 January 2007 to 31 December 2009, the Company made one allotment of Ordinary Shares. On 26 November 2009 the Company issued and allotted 8,398,300 Ordinary Shares at a price of 12.75 pence per share.
- 3.7 Save as disclosed in paragraphs 3, 4 and 12 of this Part V:
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
  - (b) there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
  - (c) there are no shares in the Company not representing capital;
  - (d) there are no shares in the Company held by or on behalf of the Company itself or by its subsidiaries;
  - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
  - (f) no person has any preferential or subscription rights for any share capital of the Company; and
  - (g) no share or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

#### **4. Terms of the Options/Other Employee Share Arrangements/Conversion Rights**

##### ***The Company Long Term Incentive Plan***

- 4.1 The Board adopted the Company Long Term Incentive Plan (“**LTIP**”) on 25 November 2009 to allow individuals to be granted awards (“**Awards**”) in respect of Ordinary Shares, the principal terms of which are summarised below. Details of the Awards granted are set out at sub-paragraph 4.10.

##### *Eligibility and Grant of Awards*

- 4.2 The Board may grant Awards to any employee of the Group selected by the Board. Awards may be granted by the Board at any time within 10 years from the date of adoption when not prohibited under the AIM Rules or the rules of the London Stock Exchange or any other reason or in breach of the Model Code. An Award is conditional upon the awardholder agreeing to indemnify the Company for the cost of any tax, duties, social security contributions and national insurance (including the Company’s secondary contributions).

##### *Limits*

- 4.3 The maximum number of Ordinary Shares issued or issuable under the LTIP by the Company shall not exceed 20 per cent. of the Company’s issued ordinary share capital in any 10-year period. Share rights that have ceased to be exercisable or were granted before Admission are excluded.

##### *Awards*

- 4.4 Awards allow participants to exercise the right to claim an award of Ordinary Shares subject to the satisfaction of performance conditions, the expiry of an Award waiting period and the payment of a sum determined by the Board at the date of the grant of the Award.

##### *Performance Conditions*

- 4.5 When making Awards, the Board will determine appropriate and objective performance conditions.

#### *Leavers*

4.6 The following rules will apply if a participant ceases to be employed within the Group:

- (a) If a participant leaves vested Awards (where the performance conditions are satisfied), may be claimed within a specified period and a proportion (determined by the Board) of unvested Awards may be claimed.
- (b) If a participant leaves for misconduct then all Awards lapse.
- (c) If a participant leaves for any other reason then unvested Awards lapse.

#### *Variation of Share Capital*

4.7 On an alteration of the Ordinary Share capital, including by capitalisation or rights issue, consolidation, sub-division or reduction, or on the payment of a special dividend or on a demerger, the number of shares under the Award may be adjusted by the Board in such manner as independent advisers determine in their opinion to be fair and reasonable.

#### *Voting, Dividend and Other Rights*

4.8 Participants have no voting or dividend rights before the exercise of an Award. The rights under the LTIP are non-pensionable.

#### *Amendments*

4.9 The Board may alter the rules to LTIP with the approval of the Company in general meeting provided no alteration shall adversely affect the rights of the participant (without his or her agreement). Minor amendments may be made without such approval or agreement.

#### *Grants*

4.10 The following Awards were granted on 11 December 2009 but were cancelled on 10 June 2010 by mutual agreement between the parties:

Under the terms of the LTIP, David Evans and Julian Baines each received awards equal to 7 per cent. of the Enlarged Issued Share Capital. The exercise price of each of the awards under the LTIP is 1p, being the nominal value per Ordinary Share.

These awards would have become exercisable, for each of them, as to 3.5 per cent. of the Enlarged Issued Share Capital on the date of Admission; 1.167 per cent. of the Enlarged Issued Share Capital on each of the first and second anniversary of the date of Admission; and 1.166 per cent. of the Enlarged Issued Share Capital on the third anniversary of the date of Admission.

#### ***The Company Bonus and Share Incentive Scheme***

4.11 The Board adopted the Company Bonus and Share Incentive Scheme also known as the Bonus and Phantom Share Incentive Scheme ("**BAPSI Scheme**") on 1 December 2005 which gives the opportunity, at the discretion of the Board, for eligible employees to obtain a cash bonus and/or bonus shares and/or an exit bonus. The principal terms of which are summarised below.

#### *Eligibility and Grant of Options*

4.12 The Board may grant options under the BAPSI Scheme in respect of notional Ordinary Shares ("**notional shares**") to any director or employee of the Group selected by the Board. The Board will determine the number of notional shares to which it relates, the exercise period, the exercise terms, the performance targets and the exit bonus (as described below). These options are conditional upon the participant agreeing to indemnify the Company for the cost of any tax, duties, social security contributions and national insurance (including the Company's secondary contributions where applicable).

#### *Exercise of Options*

4.13 During the exercise period, upon notification that the relevant performance targets are satisfied and provided the Company was profitable in the preceding three months, the participant may exercise the option and will be entitled, at the discretion of the Board, either to a cash bonus (by reference to a

percentage of the value of the notional shares less the notional exercise price) or bonus shares, which will normally be Ordinary Shares having the same value at the date of exercise as the cash bonus. Where bonus shares are issued the participant will be required to pay the nominal value of the shares so received.

#### *Cessation of Employment*

4.14 If a participant ceases to be a director or employee of the Group the option under the BAPSI Scheme may be exercised within 12 months subject to performance and other targets being fulfilled at the date of cessation.

#### *Variation of Share Capital*

4.15 On an increase or variation of the ordinary share capital the Board may make such adjustments to the number of notional shares and the option price as it considers appropriate.

#### *Voting, Dividend and Other Rights*

4.16 Participants have no voting or dividend rights before the exercise of an option under the BAPSI Scheme and the issue of any bonus shares to which the participant becomes entitled.

#### *Amendments*

4.17 The Board may alter the rules to the BAPSI Scheme provided no alteration shall be detrimental to a participant.

4.18 On 1 December 2005, the Board granted entitlements under the BAPSI Scheme over 1,667,168 notional shares to Anthony Hutchinson and over 500,150 notional shares to Paul Foulger. Following Anthony Hutchinson's resignation on 25 November 2009, his entitlements were reallocated with effect from 11 December 2009 as follows: Adam Reynolds 883,659; Gordon Hall 400,000 and Paul Foulger 383,509.

The key terms are as follows:

- a) The full bonus will be payable to the option holder if the market capitalisation of the Company is £20 million or higher and the Company is profitable for the cumulative period of the three preceding months (the "Bonus"). The Board may elect to pay the first 30 per cent. of the Bonus in cash otherwise the Bonus will be settled in new Ordinary Shares for which the option holder must pay the nominal value.
- b) In the event that the Company is the subject of a takeover and is valued at £15 million or higher, further new Ordinary Shares equivalent to 50 per cent. of the number of notional shares, will be issued to the option holder.

The latest exercise date for these options is 30 November 2015.

#### **2005 Options**

4.19 On 28 June 2005, the Company granted options to:-

- (a) Adam Reynolds to acquire 1,250,000 Ordinary Shares at 20p per Ordinary Share. Adam Reynolds subsequently released his rights in respect of part of the entitlement to acquire 625,000 Ordinary Shares under that option leaving an entitlement to acquire 625,000 Ordinary Shares at 20p per Ordinary Share; and
- (b) Gordon Hall to acquire 500,000 Ordinary Shares at 20p per Ordinary Share, (together, the "**2005 Options**").

4.20 On 11 December 2009 the Board (a) varied the 2005 Options so that the 2005 Options will expire on 28 June 2011 and (b) granted an option to Paul Foulger to acquire 625,000 Ordinary Shares at 20p per Ordinary Share on identical terms to the 2005 Options, the principal terms of which are summarised below.

### *Exercise of Options*

4.21 The 2005 Options are exercisable until 23:59 on 27 June 2011 and will thereafter lapse.

### *Cessation of Employment*

4.22 If the optionholder ceases to be an employee of the Group, a 2005 Option may be exercised within 30 days of the date of cessation or 12 months in the event of death (when exercise would be by the option holder's personal representatives) and thereafter the 2005 Option will lapse.

### *Takeover, Sale, Winding up*

4.23 In the event of a takeover, change of control of the Company, a sale of the whole of the business or assets of the Company, a voluntary winding up or a court sanctioned compromise or arrangement, the 2005 Options may be exercised within a limited period or exchanged for a replacement option in the acquiring company, where applicable, and thereafter will lapse.

### *Variation of Share Capital*

4.24 On a variation of the ordinary share capital, the Board may make such adjustments to the number of shares and the option price as the auditors or other share valuers confirm to be fair and reasonable.

### *Voting, Dividend and Other Rights*

4.25 Holders of the 2005 Options have no voting or dividend rights before the exercise of the 2005 Options. The benefits under the 2005 Options are non-pensionable and the holders of the 2005 Options have agreed to indemnify the Company in respect of tax and national insurance liabilities in respect of which the Company is liable, except secondary national insurance contributions.

### **Other Options**

4.26 On 29 January 2004, the Company granted an option to Mark Adrian Kirkland, who at that time was an employee of the Company, to acquire 225,000 Ordinary Shares at 18p per Ordinary Share (the "**MK Option**"). The MK Option is exercisable until 23:59 on 29 January 2014. Notwithstanding the cessation of Mark Adrian Kirkland's employment, the Board has permitted the MK Option to remain exercisable by Mark Adrian Kirkland until the date stated above. In the event of a takeover, change of control of the Company, a sale of the whole of the business or assets of the Company or a court sanctioned compromise or arrangement, the MK Option may be exercised within a limited period or exchanged for a replacement option in the acquiring company, where applicable, and thereafter will lapse. On a variation of the ordinary share capital, the Board may make such adjustments to the number of shares and the option price as the auditors or other share valuers confirm to be fair and reasonable. The option agreement entered into between the Company and Mark Adrian Kirkland may be amended by written consent of both of the parties thereto. Mark Adrian Kirkland has agreed to indemnify the Company against any taxation liabilities it may incur as a result of the exercise of the MK Option.

4.27 On 12 January 2006, the Company granted an option to @miral BV to acquire 650,000 Ordinary Shares at 18.5p per Ordinary Share.

## **5. The Group**

5.1 To the best of the knowledge of the Company, there are no persons who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.

5.2 The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

- 5.3 Following Completion, the Company will be the holding company of four wholly and directly owned subsidiaries. Details of its Subsidiaries are set out in the table below:

<i>Name</i>	<i>Country of Incorporation (and residence, if different)</i>
International Brand Licensing AG	Switzerland
EKF Diagnostics Holdings Limited	England
EKF-diagnostic GmbH	Germany
International Brand Licensing, Inc.	Delaware, USA

- 5.4 Following Completion, EKF will be the holding company of four directly owned subsidiaries. Details of its subsidiaries are set out in the table below:

<i>Name</i>	<i>Country of Incorporation (and residence, if different)</i>	<i>Percentage Ownership</i>
EKF-diagnostic Sales GmbH	Germany	100%
EKF-diagnostyka Sp.z.o.o.	Poland	100%
Senslab GmbH	Germany	100%
000 EKF-diagnostika	Russia	60%

## **6. Memorandum of Association**

The Memorandum of Association of the Company provides that its principal object and purpose is to carry on the business of a general commercial company. Its objects and purposes are set out in full in clause 3 of the Memorandum of Association.

## **7. Articles of Association**

The Articles include provisions to the following effect:

### **Votes of Shareholders**

- 7.1 Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 793 of the 2006 Act and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the Directors determine otherwise, if any calls in respect of shares held by him have not been paid.

### **General Meetings of Shareholders**

- 7.2 All general meetings which are not annual general meetings are deemed general meetings. General meetings may be called by directors whenever they think fit or within 28 days of receipt of a requisition of members served in accordance with the 2006 Act. If there are insufficient directors in the UK to form a quorum, any director or two members may convene a general meeting, in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

An annual general meeting shall be called by twenty-one clear days' notice at least and all other general meetings shall be called by at least fourteen days' notice.

- 7.3 The special rights attached to any class of shares may, subject to any applicable law, be altered or cancelled with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

The provisions of the Articles applicable to general meetings apply *mutatis mutandis* to class meetings but the necessary quorum is two persons holding or representing by proxy not less than

one third of the issued shares of that class except for an adjourned general meeting or where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.

### **Changes to Share Capital**

7.4 The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount.

### **Reduction of Share Capital**

7.5 Subject to the provisions of the 2006 Act, the Company may by special resolution (and, with court approval where required) reduce its authorised or issued share capital or any capital redemption reserve and any share premium account in any way subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

### **Directors**

- 7.6 (a) A director is not required to hold any qualification shares.
- (b) The amount of any fees payable to non-executive Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £150,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all expenses properly incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.
- (c) The Directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any other company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary of any such other company ("**associated companies**") and the families and dependants of any such persons and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers, employees or auditors of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.
- (d) The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period as they may determine.
- (e) Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:
- (i) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
  - (ii) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
  - (iii) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors may arrange; and
  - (iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.



- (f) Save as specifically provided in the Articles, a Director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has 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. A Director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (g) Subject to applicable law, a Director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (i) the giving of any guarantee, security or indemnity to himself in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of the Company for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;
  - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise, provided that he does not hold an interest (as defined in Part 22 of the 2006 Act) in one per cent or more of the issued shares of any such body corporate;
  - (vi) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its subsidiaries and does not provide, in respect of any Director, any privilege or advantage not accorded to the employees to which such scheme or fund relates;
  - (vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner to the employees and does not provide, in respect of any Director, any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
  - (viii) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of Directors or persons who include Directors.
- (h) Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (f) and (g) above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.
- (i) At every annual general meeting, one third of all Directors shall retire by rotation and stand for re-election. Subject to the 2006 Act, the Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment, and those who at the date of the meeting are at the nearest point in time to the third anniversary of their appointment or last reappointment.
- (j) The Directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of duty of a Director under section 175 of the 2006 Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. Save that such authorisation of the Directors may only be effective if the required quorum at the meeting at which the matter is considered is met without counting the interested Director and the matter was agreed without such director voting or would have been agreed to if their vote had been counted.



### **Transfer of Shares**

- 7.7 All transfers of shares may be effected by transfer in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee.

### **Dividends**

- 7.8 There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the Directors. In addition the Directors may pay interim dividends if justified by the profits of the Company available for distribution.

The dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Ordinary Share.

All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the Directors, be forfeited and shall revert to the Company.

There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the Directors consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Directors may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.

### **Rights of Shares**

- 7.9 The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.

### **Takeovers**

- 7.10 Section 983 of the 2006 Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration available under the takeover offer.

- 7.11 Section 983 of the 2006 Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **8. Directors' and Other Interests**

- 8.1 As at the date of this document and as expected to be immediately following the Placing and Admission, the holdings of the Directors and any other applicable employee of the Company (as defined in the AIM Rules), and their families in the share capital of the Company (i) which would have been required to be notified by the Company pursuant to Rule 17 of the AIM Rules; or (ii) which are holdings of a person connected (within the meaning of section 252 of the 2006 Act) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) above

and the existence of which is known to or could with reasonable diligence be ascertained by the Directors are as follows:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the Issued Ordinary Share Capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>% of Issued Share Capital following the Placing</i>
David Evans	1,017,846	2.42	1,017,846	0.71
Julian Baines	1,357,127	3.23	1,357,127	0.95
Paul Foulger	884,276	2.11	884,276	0.62
Adam Reynolds	1,001,776	2.39	1,021,776	0.72
Gordon Hall	339,282	0.81	339,282	0.24
Kevin Wilson	1,017,846	2.42	1,017,846	0.71

- 8.2 Save as disclosed in sub-paragraph 8.1 above and this sub-paragraph 8.2 the Company is not aware of any holding (within the meaning of the AIM Rules) in the Company's ordinary share capital which amounts or would, immediately following the Placing and Admission, amount to 3 per cent. or more of the Company's issued ordinary share capital other than the following:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the Issued Ordinary Share Capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>% of Issued Share Capital following the Placing</i>
Legal & General	–	–	22,000,000	15.45
Octopus Asset Management	–	–	15,000,000	10.53
Hargreave Hale	–	–	10,666,666	7.49
Ignis Asset Management	–	–	8,333,333	5.85
HSBC Global Custody	7,153,693	17.04	7,153,693	5.02
Nominee (UK) Ltd BH01 883031	–	–	–	–
Newedge Group SA 2093110	5,590,000	13.31	5,590,000	3.92
JM Finn Nominees Ltd	3,026,403	7.21	3,026,403	2.12
Lance Yates Esq (Estate of)	1,708,480	4.07	1,708,480	1.20
Pershing Nominees Ltd BFCLT Acct	1,521,243	3.62	1,521,243	1.07
The Bank of New York (Nominees) Limited	1,318,000	3.14	1,318,000	0.93
James Capel (Nominees) Limited HSBCSS Acct	1,274,472	3.04	1,274,472	0.89

The voting rights of the Shareholders set out in paragraphs 8.1 and 8.2 do not differ from the voting rights held by other Shareholders.

- 8.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.
- 8.4 Save as disclosed in paragraph 4, this paragraph 8 and in paragraph 14 of this Part V, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

- 8.5 Save as otherwise disclosed in this document, none of the Directors nor any member of their respective families nor any person connected with the Directors (within the meaning of section 252 of the 2006 Act) has any holding, whether beneficial or otherwise, in the share capital of the Company.
- 8.6 None of the Directors nor any member of a Director's family is dealing in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.

## **9. Directors' Service Agreements/Letters of Appointment**

- 9.1 On 16 February 2010, MBA Consultancy entered into an agreement with the Company under the terms of which MBA Consultancy agreed to procure the services of David Evans to act as Non-Executive Director. MBA Consultancy shall be entitled to, subject to and with effect from Admission, a procurement fee of £40,000 per annum payable monthly in arrears for the procurement of these services. In addition, MBA Consultancy may be entitled to a bonus at the absolute discretion of the Company's Remuneration Committee. The agreement is terminable by either party giving to the other not less than 3 months' written notice. The agreement contains detailed provisions relating to confidential information. Upon termination no benefits (other than those accruing during the notice period) will be due to MBA Consultancy.
- 9.2 On 26 November 2009, Julian Baines entered into a service agreement with the Company under the terms of which he agreed to act as Chief Executive Officer for a basic salary of £145,000 per annum, such salary to be reviewed annually and to be increased by at least 3 per cent. per annum. The service agreement shall be terminable by either party giving to the other not less than 6 months' written notice. Julian Baines may also be entitled to a bonus at the absolute discretion of the Company's Remuneration Committee and is entitled to a car allowance of £10,000 per annum, company pension contribution of 3 per cent. of salary, private medical and permanent health insurance. In addition, the service agreement contains detailed provisions relating to confidentiality, intellectual property and various post-termination restrictions, including a restriction for 12 months prohibiting him from being engaged in a business which competes with the business of the Company and restrictions for 12 months prohibiting him from soliciting or dealing with any customers or clients, or soliciting any key business suppliers, employees or consultants. Upon termination no benefits (other than those accruing during the notice period) will be due to the director.
- 9.3 On 28 June 2005, Paul Foulger entered into a service agreement with the Company under the terms of which he agreed to act as Finance Director. His basic salary is £110,000 per annum. The service agreement shall be terminable by either party giving to the other not less than 6 months' written notice. In addition, the service agreement contains detailed provisions relating to confidentiality and intellectual property. Upon termination no benefits (other than those accruing during the notice period) will be due to the director.
- 9.4 On 15 December 2005, Adam Reynolds entered into an agreement with the Company under the terms of which he agreed to act as non-executive director for a time commitment of 2 days per month (unless agreed otherwise). Adam Reynolds is entitled to a fee of £50,000 per annum payable monthly in arrears for these services. The agreement is terminable by either party giving to the other 3 months' written notice. The agreement contains detailed provisions relating to confidential information. Upon termination no benefits (other than those accruing during the notice period) will be due to Adam Reynolds.
- 9.5 On 15 December 2005, Gordon Hall entered into an agreement with the Company under the terms of which he agreed to act as non-executive director for a time commitment of one day per month (unless agreed otherwise). Gordon Hall is entitled to a fee of £15,000 per annum payable monthly in arrears for these services. The agreement is terminable by either party giving to the other 3 months' written notice. The agreement contains detailed provisions relating to confidential information. Upon termination no benefits (other than those accruing during the notice period) will be due to Gordon Hall.
- 9.6 On 16 February 2010, Kevin Wilson entered into an agreement with the Company under the terms of which he agreed to act as a non-executive director. Kevin Wilson is, subject to and with effect from Admission, entitled to a fee of £25,000 per annum payable monthly in arrears for these services. The agreement is terminable by either party giving to the other 3 months' written notice. The agreement contains detailed provisions relating to confidential information. Upon termination no benefits (other than those accruing during the notice period) will be due to Kevin Wilson.

9.7 Save as disclosed in sub-paragraphs 9.1 to 9.6 above, there are no service contracts, existing or proposed, between any Director and the Company.

9.8 Details of the commencement and expiration of the term of office of each Director who were in office during the Company's last financial year are set out below:

<i>Name</i>	<i>Commencement of Period of Office</i>	<i>Date of expiration of term of Office</i>
David Evans	26 November 2009	Annual General Meeting to be held in 2010
Julian Baines	26 November 2009	Annual General Meeting to be held in 2010
Paul Foulger	28 June 2005	Annual General Meeting to be held in 2010
Adam Reynolds	11 October 2004	Annual General Meeting to be held in 2011
Gordon Hall	21 April 2005	Annual General Meeting to be held in 2010
Kevin Wilson	26 November 2009	Annual General Meeting to be held in 2010
Anthony Hutchinson	23 April 2002	26 November 2009

9.9 There are no service contracts in place between the Company or any of its subsidiaries and any member of an administrative/management or supervisory body which provides for benefits on termination of employment.

## **10. Additional Information on the Board**

10.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director (insert any previous names)</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
David Evans	50	Immunodiagnostic Systems Limited Immunodiagnostic Systems Holdings Plc Omega Diagnostics Group Plc Epistem Holdings Plc Quotient Diagnostics Limited Onyx Research Chemicals Limited Scancell Limited Scancell Holdings Plc Scipac Limited St. Andrews Golf Art Limited Marine Biotech Limited Momentum Bioscience Limited BgenuineTec, Inc.	Omega Diagnostics Limited Storyland Limited BBI Holdings Plc Microtest Matrices Limited Platform Diagnostics Limited Chromogenex Limited Epistem Limited Physiomics Plc Storyland Group Plc DXS Limited Electro-Medical Limited DXS EBT Company Limited CY Realisations Limited (dissolved 29 October 2009) Haptogen Limited Nestech Limited Scottish Enterprise Tayside Vindon Healthcare Plc
Julian Baines	45	BBI Holdings Plc J & K (Cardiff) Limited International Brand Licensing, Inc. Supply Project Solutions Limited	British Biocell International Limited Quotient Diagnostics Limited BBI Healthcare Limited Alchemy Laboratories Limited Qnostics Limited

<i>Director (insert any previous names)</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
			Platform Diagnostics Limited BBI Enzymes Limited BBI Life Sciences Limited BBI Research Inc.
Paul Andrew Foulger	40	Alan Bailey (Studios) Limited Hansard Communications Limited Hansard Corporate Limited Boldwood Limited Wilton International Marketing Limited Wilton International Consulting Limited TSE Group plc Diablo Consulting Limited Biolustre UK Ltd Medavinci plc Emotion Fitness Limited EKF Diagnostics Holdings Limited International Brand Licensing AG TSE Consulting SA	Curidium Medica Limited Marlwood plc Hansard Group Limited (dissolved 25 November 2009) Wilton International Management Group Limited (dissolved 25 November 2009) Sandford Limited (dissolved 20 August 2008) TSE Brands Limited (dissolved 14 January 2009) TSE Learning Limited (dissolved 20 August 2008)
Adam Reynolds	47	Hansard Communications Limited Hansard Corporate Limited Alan Bailey (Studios) Limited Boldwood Limited Wilton International Marketing Limited Wilton International Consulting Limited TSE Group plc Medavinci plc Diablo Consulting Limited Biolustre UK Ltd Emotion Fitness Limited	Marchpole Holdings plc (in liquidation) Curidium Medica Limited Plectrum Petroleum Limited Marlwood plc Wallgate Group plc (in liquidation) Maidborough Limited (dissolved 27 May 2009) Hansard Group Limited (dissolved 25 November 2009) Wilton International Management Group Limited (dissolved 25 November 2009) Sandford Limited (dissolved 20 August 2008) TSE Brands Limited (dissolved 14 January 2009) TSE Learning Limited (dissolved 20 August 2008)
Gordon James Hall	67	Nanoco Group plc Nanoco Life Sciences Limited Nanoco Tech Limited Oxeco plc	Osmetech plc Osmetech Aesop Trustee Limited (current proposal to strike off) Firstafrica Oil Limited Plectrum Petroleum Limited
Kevin William Wilson	59	The Big Issue In The North Ltd The Big Life Company Limited Soccerstockmarket Limited Aisha Childcare Ltd Big Life Employment Ltd Hon-Sho Ltd	BBI Holdings Plc Storyland Group plc

- 10.2 David Evans was a director of Lineplan Limited, a company which went into creditors' voluntary liquidation on 18 May 2000. The directors' statement of affairs dated 18 May 2000 showed a creditor shortfall of £72,680. David Evans was not the subject of public criticism by the liquidator in connection with the liquidation.
- 10.3 David Evans was a director of CY Realisations Limited, a company which went into creditors' voluntary liquidation on 11 April 2003. The directors' statement of affairs dated 11 April 2003 showed a creditor shortfall of £237,254 and advised that there would be sufficient funds to pay preferential creditors in full but that any funds available for unsecured creditors would be dependent on the receipt of deferred income. David Evans was not the subject of public criticism at the creditors' meeting in connection with the liquidation.
- 10.4 Julian Baines was a director of BB Electronics Limited, which went into liquidation in 1991 with a creditor shortfall of approximately £400,000. Julian Baines was also a director of Calibre Communications Limited, which went into liquidation in 1991 with a creditor shortfall of approximately £20,000. Julian Baines has not been the subject of public criticism by the liquidator in connection with the liquidations.
- 10.5 Adam Reynolds was appointed as a director of Wallgate Group plc for a period of 5 months commencing from his appointment on 3 July 2008 and ending with his resignation on 28 November 2008. Subsequent to his resignation, Wallgate Group plc was put into administration on 12 December 2008 and became subject to voluntary creditors' liquidation on 15 December 2009. The directors' statement of affairs dated 12 December 2008 showed a creditor shortfall of £427,704.87. Adam Reynolds did not and has not received any compensation in respect of his position as a director of Wallgate Group plc and was not the subject of public criticism by the liquidator in connection with the liquidation.
- 10.6 On 22 December 1994 Adam Reynolds was appointed as a director of Greenhills plc. He resigned on 24 January 1996. Greenhills plc was put into receivership on 8 August 1996, an order to wind up was made on 19 February 1997. Adam Reynolds has not been the subject of public criticism by the liquidator in connection with the liquidation. On 2 January 2001 Greenhills plc was dissolved.
- 10.7 Save as disclosed above none of the Directors has:
- (a) any unspent convictions in relation to indictable offences;
  - (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## **11. Employees**

- 11.1 As at 31 December 2009, the Group had 4 employees. As at the date of this document, the Group has 4 employees.



11.2 As at 31 December 2009, the EKF Group had 142 employees. As at the date of this document the EKF Group has 142 employees.

11.3 As at the date of this document, the Enlarged Group employed the following numbers of employees, in the following areas of expertise:

<i>Function</i>	<i>Total</i>	<i>UK</i>	<i>Germany</i>	<i>Poland</i>	<i>Russia</i>
Administration	61	4	39	3	15
Sales	17	–	13	–	4
Production	68	–	61	7	–
<b>TOTAL</b>	<b>146</b>	<b>4</b>	<b>113</b>	<b>10</b>	<b>19</b>

## 12. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or a member of the Group within the two years immediately preceding the date of this document and are, or may be, material:

12.1 An agreement (“**the Placing Agreement**”) dated 15 June 2010 between the Company (1), the Directors (2), Zeus Capital (3), and Matrix (4) pursuant to which conditional upon, *inter alia*, First Admission taking place on or before 9:00 a.m. on 5 July 2010 (or such later time and or date as the Company, Zeus Capital and Matrix may agree being not later than 3.00 p.m. on 12 July 2010) and Second Admission taking place on or before 9.00 a.m. on 6 July 2010 (or such later time and date as the Company, Zeus Capital and Matrix may agree being not later than 3.00 p.m. on 13 July 2010) and Third Admission taking place on or before 9.00 a.m. on 7 July 2010 (or such later time and date as the Company, Zeus Capital and Matrix may agree being not later than 3.00 p.m. on 14 July 2010) Zeus Capital and Matrix have agreed to use reasonable endeavours to procure subscribers for 100,435,653 new Ordinary Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contains warranties from the Company and the Directors and indemnities from the Company in favour of Zeus Capital and Matrix together with provisions which enable Zeus Capital and/or Matrix to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate or where certain force majeure events have occurred. The liability of the Directors for breach of warranty is limited to a financial amount and of the Company is limited to the gross proceeds of the Placing. Under the Placing Agreement the Company has agreed to pay Zeus Capital a fee of £175,000 and Matrix a fee of £25,000. The Company has also agreed to pay Zeus Capital and Matrix a commission of 4 per cent. of the value of the Placing Shares (excluding certain shares subscribed for by existing shareholders) placed by Zeus Capital and Matrix, to be shared equally between them.

The Company has agreed that in the event of a claim against Zeus Capital that in certain circumstances Zeus Capital may request the assignment of benefit of the EKF legal due diligence report to them or the Company to pursue its rights under such report and account for money received to Zeus Capital or Matrix.

12.2 The Acquisition Agreement dated 15 June 2010, between the Company (1) and Berthold Walter (2), IBG Innovationsfonds GmbH & Co. KG (3), IBG Risikokapitalfonds 1 GmbH & Co. KG (4) and EKF (5), pursuant to which the Company has, conditional upon, *inter alia*, Completion and Admission, agreed to acquire the entire issued share capital of EKF for a total consideration of €14,320,000 (fourteen million three hundred and twenty thousand Euros). The consideration will be satisfied by the payment of €11,320,000 (eleven million three hundred and twenty thousand Euros) in cash on completion of the Acquisition Agreement and the issue of new Ordinary Shares, to the value of €3,000,000 (three million Euros), on the second anniversary of completion of the Acquisition Agreement. The number of new Ordinary Shares to be issued will be calculated by reference to the Placing Price. This deferred share consideration will be reduced to the extent that there have been any claims under the warranties in the Acquisition Agreement. Warranties as would be usual in a transaction of this nature were provided. Claims under the warranties may only be recoverable from the share element of the consideration. No indemnity has been provided in respect of the two litigations that EKF is currently involved in. The Acquisition Agreement is subject to German law.

- 12.3 An agreement dated 27 May 2010 between International Brand Licensing AG (“IBL AG”) (1), Genesis Group International Limited (“Genesis”) (2) and the Company (3) for the sale of IBL AG’s rights to the “Admiral” brand in the UK and Ireland and in certain other territories in North Africa and the Middle East to Genesis for a total cash consideration of £530,000 (five hundred and thirty thousand pounds sterling). £60,000 of the consideration was paid to IBL AG by Genesis on exchange, with the remaining £470,000 payable on 4 January 2011, less any royalties received by IBL AG in respect of these territories between the date of exchange and 4 January 2011. Warranties as would be usual in a transaction of this nature were provided.
- 12.4 A Joint Broker Agreement dated 28 April 2010 between the Company (1), the Directors (2) and Matrix (3) pursuant to which the Company has appointed Matrix to act as Joint Broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Matrix a fee of £30,000 per annum for its services as Joint Broker under this agreement, accruing from the date of the agreement but payable conditional on Admission.
- 12.5 On 9 October 2009, the Company agreed to issue to Zeus Capital warrants over 1 per cent. of the issued share capital of the Company at Admission to subscribe for new Ordinary Shares at the Placing Price. The entitlement to these warrants was subsequently waived with the mutual agreement of both parties.
- 12.6 An agreement dated 29 December 2009 between IBL AG (1), Stream Enterprise (M) SDN. BHD. (“**Stream**”) (2) and Rich Crest Group Limited (3) for the sale of IBL AG’s 49 per cent. stake in the issued share capital of Admiral Asia (L) Limited and the sale of IBL AG’s rights to the “Admiral” brand in Russia, Armenia, Azerbaijan, Kyrgyzstan, Singapore, Tajikistan, Uzbekistan, Vietnam, India, Sri Lanka and Bangladesh to Stream. The consideration under the terms of the agreement totalled £375,000.00 (three hundred and seventy-five thousand pounds sterling). Warranties in this agreement were provided as would be usual in a transaction of this kind, but these were provided on an indemnity basis.
- 12.7 An agreement dated 17 August 2009 between IBL AG (1), Soccer Shirts International Pty Ltd (“**SSIP**”) (2) for the sale of IBL AG’s rights to the “Admiral” brand in Australia and New Zealand to SSIP. The consideration under the terms of the agreement totalled AU\$235,000 (two hundred and thirty-five Australian dollars). Warranties as would be usual in a transaction of this nature were provided.
- 12.8 Nominated Adviser and Broker Agreements dated 15 December 2008 between the Company (1), the Directors (2) and Zeus Capital (3) pursuant to which the Company has appointed Zeus Capital to act as Nominated Adviser and Joint Broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Zeus Capital a fee of £30,000 per annum for its services as Nominated Adviser and Broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and, thereafter, is subject to termination on the giving of three months’ notice.
- 12.9 An agreement dated 29 August 2008 between IBL AG (1) and IPGI Inc. (“IPGI”) (2) for the sale of IBL AG’s rights to the “Admiral” brand in Japan to IPGI. The consideration under the terms of the agreement totalled Yen 231,000,000 (two hundred and thirty-one million yen). Warranties as would be usual in a transaction of this nature were provided.
- 12.10 An agreement dated 30 June 2008 between IBL AG (1) and Admiral IP Limited (“**AIP**”) (2) for the sale of IBL AG’s rights to the “Admiral” brand in 17 territories in sub-Saharan Africa to AIP. The consideration under the terms of the agreement totalled £225,000.00 (two hundred and twenty-five thousand pounds sterling). Warranties as would be usual in a transaction of this nature were provided.
- 12.11 An agreement dated 9 June 2008 between IBL AG (1) and Diethnis Athlitiki Limited (“**DAL**”) (2) for the sale of IBL AG’s rights to the “Admiral” brand in Turkey to DAL. The consideration under the terms of the agreement totalled €400,000 (four hundred thousand euros). Warranties as would be usual in a transaction of this nature were provided.



### **13. Dependence on Intellectual Property etc.**

- 13.1 Save as disclosed in this document, the Enlarged Group is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Enlarged Group's business or profitability.

### **14. Related Party Transactions**

- 14.1 During the period from 1 January 2007 to 14 June 2010 (being the last practical date prior to the publication of this document), the Company entered into the following related party transactions (being those set out in the standards adopted pursuant to Regulation (EC) No.1606/2002):

- (a) during the 12-month period to 31 December 2009, the Company paid £22,550 to Hansard Communications Limited in respect of the provision of financial public relations services. Adam Reynolds and Paul Foulger are both directors of Hansard Communications Limited and have a combined interest of 33.4 per cent. in Boldwood Limited, the holding company of Hansard Communications Limited. This contract was entered into at arms length;
- (b) during the 12-month period to 31 December 2009, the Company paid £57,000 to Diablo Consulting Limited for office rent, administration costs and other costs. Adam Reynolds and Paul Foulger are both directors of Diablo Consulting Limited and have a combined interest of 100 per cent. in Diablo Consulting Limited. This contract was entered into at arms length;
- (c) during the 12-month period to 31 December 2009, the Company paid £15,000 to Adam Reynolds t/a Adam Reynolds Associates for the provision of consultancy services. This contract was entered into at arms length;
- (d) during the 12-month period to 31 December 2008, the Company paid £16,250 to Hansard Communications Limited in respect of the provision of financial public relations services. Adam Reynolds and Paul Foulger are both directors of Hansard Communications Limited and have a combined interest of 33.4 per cent. in Boldwood Limited, the holding company of Hansard Communications Limited. This contract was entered into at arms length;
- (e) during the 12-month period to 31 December 2008, the Company paid £12,000 to Alan Bailey (Studios) Limited for office rent and administration costs. Adam Reynolds and Paul Foulger are both directors of Alan Bailey (Studios) Limited and have a combined interest of 33.4 per cent. in Boldwood Limited, the holding company of Alan Bailey (Studios) Limited. This contract was entered into at arms length;
- (f) during the 12-month period to 31 December 2008, the Company paid £20,000 to Wilton International Management Group Limited for the provision of consultancy services. Adam Reynolds and Paul Foulger were both directors of, and had a combined interest of 45.54 per cent. interest in, Wilton International Management Group Limited. This contract was entered into at arms length;
- (g) during the 12-month period to 31 December 2008, the Company paid £10,000 to Adam Reynolds t/a Adam Reynolds Associates for the provision of consultancy services. This contract was entered into at arms length;
- (h) during the 12-month period to 31 December 2007, the Company paid £15,000 to Hansard Communications Limited in respect of the provision of financial public relations services. Adam Reynolds and Paul Foulger are both directors of Hansard Communications Limited and have a combined interest of 33.4 per cent. in Boldwood Limited, the holding company of Hansard Communications Limited. This contract was entered into at arms length; and
- (i) during the 12-month period to 31 December 2007, the Company paid £12,000 to Alan Bailey (Studios) Limited for office rent and administration costs. Adam Reynolds and Paul Foulger are both directors of Alan Bailey (Studios) Limited and have a combined interest of 33.4 per cent. in Boldwood Limited, the holding company of Alan Bailey (Studios) Limited. This contract was entered into at arms length.

- 14.2 Save as disclosed in note 25 of the financial information set out in Part III, there were no related party transactions that were entered into by EKF during the periods ending 31 December 2008 and 31 December 2009 or during the period from 1 January 2010 to 14 June 2010 (being the last practical date prior to the publication of this document).

## 15. Litigation

15.1 Save as disclosed in this paragraph 15, the Enlarged Group is not involved nor has been involved in any governmental, legal or arbitration proceedings in the previous twelve months which may have or have had in the recent past a significant effect on its financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any members of the Enlarged Group.

15.2 EKF is involved as defendant in patent-related litigation in Germany and in the US.

### **German Patent Litigation**

In 2005, Hemocue AB Sweden ("**Hemocue**") brought a claim against EKF and Berthold Walter, in the regional court in Dusseldorf, in respect of an alleged infringement of the German part of the European patent EP 0821784 ("**Infringed Patent**"). The court ruled that both defendants were prohibited to offer, sell, produce, use, import or process the infringing product in the Federal Republic of Germany. The Company has been informed that the infringing product was modified in 2005 to make it non patent-infringing and it has not been produced and marketed since then. As a consequence, the Board considers it most likely that EKF's business will not be adversely affected by this litigation.

After Hemocue brought the above claim, EKF brought an action against Hemocue in the German Federal Patent Court requesting the revocation of the Infringed Patent. In its judgement, the German Federal Patent Court declared the Infringed Patent void in the Federal Republic of Germany, which resulted in the nullity of the Infringed Patent. Only patent claim no. 3 was not declared void, which however is not relevant because Hemocue did not base its patent infringement action on this specific patent claim. Hemocue's appeal is currently pending at the German Federal Court of Justice. The Company has been advised by its lawyers that it is likely that the German Federal Court of Justice will confirm the nullity of the Infringed Patent. If, on the other hand, the Infringed Patent is not annulled, the Board does not consider that EKF's customer relationships are at risk, because the currently marketed products do not infringe the patent and are not subject of the current proceedings.

In any event, the Board have been advised that the maximum damages for EKF with respect to this patent litigation should not exceed €500,000.

### **US Patent Litigation**

In 2003, both Stanbio Laboratory, LP ("**Stanbio**") and EKF-diagnostic Sales ("**EKF Sales**") filed individual suits against Hemocue for declaratory judgments of, *inter alia*, non-infringement, patent invalidity, and patent unenforceability due to Hemocue's inequitable conduct at the US Patent and Trademark Office ("**USPTO**"). Both of these suits were filed in US District Court, Western District of Texas, San Antonio division. Hemocue filed a patent infringement suit in California in 2004, shortly after the Texas suits were filed. The three individual cases were combined in a single case in Texas. Hemocue, in its answer to the declaratory judgment complaints, alleged patent infringement counter claims against both Stanbio and EKF Sales. In an amended complaint filed on 2 May 2005, Stanbio has additionally alleged various antitrust violations against Hemocue, as well as unfair competition and tortious interference claims.

On 13 June 2005, EKF filed a request for re-examination at the USPTO ("**Request for Re-examination**"), requesting that claims 1 – 3, 5 and 7 of US Patent No. 5674457 be declared invalid in view of prior art cited in the Request for Re-examination. In the proceeding for the Request for Re-examination, the USPTO reviews the validity of the patent claims based on prior art, but issues of unenforceability based on inequitable conduct and patent infringement are not considered.

At the time of filing the Request for Re-examination, all of the parties to the litigation filed a joint motion to stay the litigation pending the outcome of the Request for Re-examination. This would have suspended the litigation until the USPTO issued a decision in the Request for Re-examination. However, the court refused to grant the motion to stay and, instead, administratively closed the case until such time as the USPTO concluded the proceedings for the Request for Re-examination. The court required the parties to provide quarterly status updates on the proceeding for the Request for Re-examination.

The Request for Re-examination proceeding concluded in November 2007 and held that all of the patent claims were valid. The parties to the litigation advised the court on 26 November 2007 that the Request for Re-examination proceeding had concluded. However, no further action has occurred in the case.

As the court's order which administratively closed the case indicated that the case was closed, subject to it being re-opened upon motion of the parties and order of the court, it appears the case will remain closed unless the parties formally move to have the case opened. The court's order also indicated that the quarterly status reports should continue while the case remains closed and failure to do so may subject the parties to sanctions, including dismissal of the case. No status report has been filed since the report on 26 November 2007 advising the re-examination proceeding was concluded. Accordingly, it may be within the court's discretion to dismiss the case or, alternatively, to reopen the case upon a motion of a party, whereby the litigation would proceed according to a schedule.

EKF Sales has confirmed that the infringing product was only sold in the US for 2-3 years and is no longer being sold in the US. The Board believes that the product currently being sold by EKF Sales is free of infringement.

A mediation was held approximately 2 years ago, after Hemocue had been acquired by Quest Diagnostics ("**Quest**"). In the mediation, Hemocue/Quest asserted damages in the form of lost profits amounting to US\$6 million. As the infringing product is no longer being sold by EKF Sales, potential damages are fixed and allegedly not increasing. During this mediation, EKF Sales and Stanbio have asserted a substantial claim based on Hemocue/Quest's anti-competitive actions of at least US\$80 million. Quest have indicated that they would be prepared to undertake further mediation if EKF Sales and Stanbio reduced their US\$80 million claim.

## **16. No Significant Change**

16.1 There has been no significant change in the financial or trading position of the Group since the end of the last financial period for which audited financial information has been published.

16.2 There has been no significant change in the financial or trading position of the EKF Group since the end of the last financial period for which audited information has been published.

## **17. Working Capital**

The Directors are of the opinion, having made due and careful enquiry and taking into account the current cash balances and net proceeds of the Placing, that the Enlarged Group has sufficient working capital for its present requirement, that is for at least 12 months from the date of Admission.

## **18. Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

18.1 For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Offer will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, 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 constitute the base cost of a shareholder's holding. If a shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

18.2 If an investor is an individual or an investment company, relief for losses incurred by that investor on disposal of the Ordinary Shares may be available for an investment company under sections 68 to 90L of the Corporation Tax Act 2010 and for individuals under sections 131 to 151 Income Tax Act 2007, against income of the same or prior year.

This relief should be available provided the Company and the investor satisfy the relevant statutory requirements.

18.3 Unquoted ordinary shares representing minority interests in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still the owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

18.4 No stamp duty or stamp duty reserve tax (“**SDRT**”) will generally be payable on the issue of the Ordinary Shares.

18.5 Under current UK legislation, no tax is withheld from dividend payments by the Company and consequentially, the Company accepts no responsibility for withholding taxes at source.

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent.), the dividend upper rate (32.5 per cent) or the dividend additional rate (42.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate and additional rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent or 32.5 per cent of the aggregate of the individual and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust’s income and are generally required to account for tax at the dividend trust rate, currently 42.5 per cent. However, the first £1,000 of income will generally be taxed at the dividend ordinary rate of 10 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

## **19. General**

19.1 The gross proceeds of the Placing are expected to be £15.06 million. The total costs and expenses relating to the Acquisition, the Placing and Admission are payable by the Company and are estimated to amount to approximately £1.54 million (excluding Value Added Tax). The net proceeds of the Placing are expected to be £13.52 million.

19.2 Other than the current application for Admission and as regards the Company’s existing admission to AIM, the Ordinary Shares have not been admitted to dealings on any recognised investment

exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

19.3 Zeus Capital has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

19.4 Matrix has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

19.5 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.6 The accounting reference date of the Company is 31 December.

19.7 The Placing Price represents a premium over the nominal value of 1p per Ordinary Share.

19.8 It is expected that definitive share certificates will be dispatched by hand or first class post within 14 days of each relevant Admission. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on or around the date of each relevant Admission.

19.9 Save as disclosed above no person directly or indirectly (other than the Company's professional advisors and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisors otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or any other benefit to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

## **20. Availability of Admission Document**

Copies of this Admission Document are available free of charge from the Company's registered office and at the offices of Zeus Capital, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

**Dated: 15 June 2010**

# International Brand Licensing Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 4347937)

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a GENERAL MEETING of International Brand Licensing plc (the "Company") will be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on 2 July 2010 at 11.00 a.m. for the purposes of considering and, if thought fit, approving the following resolutions of which resolutions 1 to 3 will be proposed as ordinary resolutions and resolutions 4 to 6 as special resolutions:

### Ordinary Resolutions

1. That, subject to the passing of resolutions 2, 3 and 4 below, the acquisition by the Company of EKF-diagnostic GmbH on the terms and subject to the conditions contained in the Acquisition Agreement, as defined in the Company's Admission Document of which this notice forms a part ("**Admission Document**"), be and the same is hereby approved and that the directors be and are hereby authorised to take all steps necessary or, in the opinion of the directors, desirable, to give effect to the Acquisition Agreement.
2. That the authorised share capital of the Company be increased from £500,000 to £2,500,000 by the creation of 200,000,000 new Ordinary Shares of 1 pence each in the capital of the Company.
3. That, subject to the passing of resolutions 1, 2 and 4, in substitution for any existing such authority, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the **2006 Act**") to allot Relevant Securities of the Company (as defined at Note 8 below) up to an aggregate nominal amount of £2,080,083, such authority (unless previously revoked or varied) to expire at the conclusion of the Annual General Meeting of the Company to be held in 2011, save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### Special Resolutions

4. That, subject to the passing of resolutions 1, 2 and 3, the directors be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 3 above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
  - (i) the allotment of up to 4,792,318 Ordinary Shares in connection with the exercise of the Existing Share Options (as defined and summarised in the Admission Document);
  - (ii) the allotment of up to 100,435,653 Ordinary Shares in connection with the Placing (as defined and summarised in the Admission Document);
  - (iii) the allotment of the Consideration Shares (as defined in the Admission Document);
  - (iv) the allotment of equity securities for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and
  - (v) the allotment, otherwise than pursuant to sub-paragraphs (i), (ii), (iii) and (iv) above, of equity securities for cash up to an aggregate nominal amount of £360,000,

provided that such power (unless previously revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 provided that the directors may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires.

5. That, subject to the passing of resolution 1 above, the name of the Company be changed to "EKF Diagnostics Holdings plc".



6. That, subject to the passing of resolution 5:
- (i) the existing Articles of Association of the Company ("**Current Articles**") be amended by deleting all the provisions of the Company's Memorandum of Association, which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Current Articles; and
  - (ii) the Articles of Association produced to the meeting bearing the new company name (as amended pursuant to resolution 5 above) and initialled by the Chairman for the purposes of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of the Current Articles.

*By Order of the Board*

Paul Foulger  
*Company Secretary*

*Registered office:*  
14 Kinnerton Place South  
London  
SW1X 8EH

Dated: 15 June 2010

**Notes:**

- (1) The Company specifies that only those members registered on the Company's register of members at 11.00 a.m. on 30 June 2010 shall be entitled to attend and vote at the General Meeting.
- (2) If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.
- (3) A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the chairman of the General Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- (4) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
- (5) The notes to the Proxy Form explain how to direct your proxy how to vote on each resolution or withhold their vote.  
To appoint a proxy using the Proxy Form, the Proxy Form must be:
  - (a) completed and signed;
  - (b) sent or delivered to Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU; and
  - (c) received by Capita Registrars, at the address provided in paragraph 5(b) above no later than 11.00 a.m. on 30 June 2010.In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.  
Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.
- (6) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- (7) As at 5.00 p.m. on the day immediately prior to the date of posting of this notice, the Company's issued share capital comprised 41,991,653 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice is 41,991,653.
- (8) "Relevant Securities" means:
  - (a) shares in the Company other than shares allotted pursuant to:
    - (i) an employee share scheme (as defined by section 1166 of the 2006 Act);
    - (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
    - (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
  - (b) any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

