

Admission Document

Placing and Admission to AIM

Directa Plus plc



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, financial adviser or other person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) who specialises in advising on the acquisition of shares and other securities (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction).

This document, which is drawn up as an AIM admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the proposed admission to trading of the Ordinary Shares on AIM. This document does 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 or filed with the FCA pursuant to section 85 of FSMA. No offer of securities to the public (for the purposes of section 102B of the FSMA) is being made in connection with the Placing.

Application will be made for the whole of the ordinary share capital of the Company in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM at 8.00 a.m. on 27 May 2016. **Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained in Part II of this document.** All statements regarding the Company’s business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

The AIM Rules for Companies are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

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

DIRECTA PLUS PLC

(Incorporated in England and Wales with company registration number 04679109)

Placing of 17,333,334 Ordinary Shares at a price of 75p per Ordinary Share Admission to trading on AIM

Nominated Adviser and Broker
Cantor Fitzgerald Europe

Ordinary share capital immediately following Admission

| | <i>Number</i> | <i>Amount</i> |
|---|---------------|---------------|
| Ordinary Shares of 0.25p each issued and fully paid | 44,212,827 | £110,532.07 |

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

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or any other country outside the United Kingdom where to do so might constitute a violation of local securities laws or regulations (the “Excluded Territories”). The Ordinary Shares have not been nor will

they be registered under the US Securities Act or with any securities regulatory authority or under the applicable securities laws of any other Excluded Territory and, unless an exemption under such act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any Excluded Territory except under circumstances that will result in compliance with any applicable laws and regulations for the account or benefit of any national, resident or citizen of such jurisdictions.

The distribution of this document may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. It should be remembered that the price of securities and the income from them can go down as well as up.

This document is only addressed to and directed at persons resident in Italy and is provided on a confidential basis exclusively to “qualified investors” within the meaning of the Consob Regulation 16190/2007 (“Qualified Investors”) and may not be reproduced, redistributed, passed on, copied, disclosed or published. In Italy, neither the Ordinary Shares nor this document: (i) have been registered with or authorised by the Commissione Nazionale per le Società e la Borsa pursuant to applicable Italian securities legislation; (ii) will be listed on the Borsa Italiana or on any other exchange or regulated trading facility in Italy; or (iii) may be publicly offered, sold, advertised, directly or indirectly, in, into or from Italy.

Neither this document nor any other offering or marketing material relating to the Ordinary Shares constitutes an offer of securities in Italy pursuant to art. 1, paragraph 1, letter (t) of the Legislative Decree n. 58 of 24 February 1998, as amended. This document must not be acted on or relied on in Italy by persons who are not Qualified Investors. It is a condition to you receiving and retaining this document that you warrant, represent and agree to the Company, its directors and the Nomad that you are a Qualified Investor.

The Ordinary Shares may not be publicly offered, sold, advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards or issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations (CO) or art. 5 of the Swiss Federal Act on Collective Investment Schemes (CISA) or the disclosure standards for listing prospectuses under art. 27 ff. of the Listing Rules of the SIX Swiss Exchange (SIX Listing Rules) or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Therefore, this document as well as any other offering or marketing material relating to the Ordinary Shares does not constitute a prospectus within the meaning of (i) art. 652a or 1156 CO, (ii) art. 5 CISA, or (iii) the SIX Listing Rules or the rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Ordinary Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. The Ordinary Shares are being offered in Switzerland by way of private placement only, to a limited number of selected qualified investors within the meaning of the Collective Investment Schemes Act (CISA) (“Qualified Investors”), without any public advertisement and only to investors who do not purchase the shares with the intention to distribute them to the public. This document, as well as any other offering or marketing material relating to the Ordinary Shares is personal and confidential and does not constitute an offer to any other person. This document, as well as any other offering or marketing material relating to the Shares may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Company’s express consent. This document must not be acted on or relied on in Switzerland by persons who are not Qualified Investors. It is a condition to you receiving and retaining this document that you warrant, represent and agree to the Company, its directors and the Nomad that you are a Qualified Investor. This document, as well as any other offering or marketing material relating to the Ordinary Shares may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Ordinary Shares will not be supervised by the Swiss Financial Market Supervisory Authority FINMA, and the offer of the Ordinary Shares has not been and will not be authorized under CISA. The Ordinary Shares are not subject to the supervision by the FINMA and investors in the Ordinary Shares will not benefit from protection or supervision by such authority. The Ordinary Shares do not constitute a participation in a collective investment scheme within the meaning of the CISA. Therefore, the investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Ordinary Shares.

Cantor Fitzgerald Europe, which is authorised and regulated in the United Kingdom by the FCA for the conduct of investment business, is acting exclusively for the Company and for no one else in connection with the Placing and Admission and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald Europe or for providing advice in relation to the Placing and Admission or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cantor Fitzgerald Europe by FSMA or the regulatory regime established thereunder, no representation or warranty, express or implied, is made by Cantor Fitzgerald Europe as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Cantor Fitzgerald Europe for the accuracy of any information or opinion contained in this document or for the omission of any material information for which it is not responsible.

PRESENTATION OF INFORMATION

1. GENERAL

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into any jurisdiction where action to that purpose is required. The Ordinary Shares have not nor will they be registered under the US Securities Act or with any securities regulatory authority or under the applicable securities laws of any state or other jurisdiction and, unless an exemption under such act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations for the account or benefit of any national, resident or citizen of such jurisdictions. The distribution of this document may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

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

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

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

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

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cantor Fitzgerald Europe. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cantor Fitzgerald Europe or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this document.

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

None of the Company, the Directors, Cantor Fitzgerald Europe or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cantor Fitzgerald Europe and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cantor Fitzgerald Europe and any of its affiliates acting as investors for their own accounts. Cantor Fitzgerald Europe does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

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

2. PRESENTATION OF FINANCIAL INFORMATION

The historical financial information of Directa Plus plc included in Section B of Part III and Part IV of this document has been prepared in accordance with the requirements of the AIM Rules for Companies and, where indicated, in accordance with IFRS. The significant accounting policies are set out within note 2 (Accounting Policies) of the historical financial information for Directa Plus plc as set out in Part IIIB of this document.

3. ROUNDING

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

4. CURRENCIES

Unless otherwise indicated in this document, all references to:

- "pounds sterling" or "£" are to the lawful currency of the UK;
- "euro" or "€" are to the lawful currency of the European Union's member states; and
- "U.S. dollars", "dollars" or "\$" are to the lawful currency of the United States.

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

5. FORWARD-LOOKING STATEMENTS

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part II of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. The Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

6. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website do not form part of this document and prospective investors should not rely on them.

CONTENTS

| | <i>Page</i> |
|--|-------------|
| EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND PLACING AND ADMISSION STATISTICS | 7 |
| DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS | 8 |
| PART I INFORMATION ON DIRECTA PLUS | 9 |
| PART II RISK FACTORS | 35 |
| PART III FINANCIAL INFORMATION | 45 |
| SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP | 45 |
| SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2015 | 47 |
| PART IV UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP | 77 |
| PART V ADDITIONAL INFORMATION | 79 |
| GLOSSARY OF TECHNICAL TERMS | 108 |
| DEFINITIONS | 110 |

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times are London times. Each of the times and dates in the table below is indicative only and is subject to change without further notice.

| | |
|--|---------------------------|
| Publication of this document | 24 May 2016 |
| Admission and dealings expected to commence in the Ordinary Shares on AIM | 27 May 2016 |
| CREST stock accounts credited in respect of First Tranche Placing Shares in uncertificated form | 10.30 a.m. on 26 May 2016 |
| CREST stock accounts credited in respect of the remainder of the Placing Shares in uncertificated form | 8.00 a.m. on 27 May 2016 |
| Despatch of definitive share certificates (where applicable) by no later than | 10 June 2016 |

The above dates are indicative only and may be subject to change

PLACING AND ADMISSION STATISTICS

| | |
|--|-----------------------------|
| Placing Price | 75 pence |
| Existing Issued Share Capital | 20,124,000 |
| Number of Loan Conversion Shares issued immediately before Admission | 7,055,493 |
| Number of new Ordinary Shares issued pursuant to the Placing | 17,033,334 |
| Number of Sale Shares sold pursuant to the Placing | 300,000 |
| Number of Ordinary Shares in issue immediately following Admission | 44,212,827 |
| Percentage of the Enlarged Share Capital subject to the Placing | 39.20 per cent. |
| Gross proceeds of the Placing (excluding sale proceeds of the Sale Shares) | approximately £12.8 million |
| Gross proceeds receivable by the Selling Shareholder in respect of the sale of the Sale Shares | £225,000 |
| Market capitalisation of the Company on Admission at the Placing Price | £33,159,620 |
| ISIN Number | GB00BSM98843 |
| TIDM | DCTA |

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

| | | |
|--|--|---|
| Directors: | Sir Peter Middleton Giulio Cesareo Marco Ferrari Prof. David Gann Neil Warner Luca Lodi-Rizzini Elizabeth Robinson | <i>Non-Executive Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> |
| | <i>Further information on the Directors is contained in Part I of this document</i> | |
| Company Secretary: | Marco Ferrari | |
| Registered Office: | 18 South Street London W1K 1DG United Kingdom | |
| Nominated Adviser and Broker: | Cantor Fitzgerald Europe One Churchill Place London E14 5RB United Kingdom | |
| Advisers to the Company: | Hamilton Venture Capital Limited 5th Floor 50 Curzon Street London W1J 7UW United Kingdom | |
| UK Legal Advisers to the Company: | Fox Williams LLP 10 Finsbury Square London EC2A 1AF United Kingdom | |
| Italian Legal Advisers to the Company: | Bird & Bird LLP Via Borgogna 8 20122, Milan Italy | |
| Legal Advisers to the Nominated Adviser and Broker: | Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom | |
| Reporting Accountant and Auditor: | BDO LLP 55 Baker Street London W1U 7EU United Kingdom | |
| Registrars: | Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom | |
| Public Relations: | Luther Pendragon Limited 3 Priory Court Pilgrim Street London EC4V 6DE United Kingdom | |

PART I

INFORMATION ON DIRECTA PLUS

1. INTRODUCTION

Directa Plus has developed a proprietary scalable manufacturing process to produce and supply high quality engineered graphene materials which can be used by third parties in a wide variety of industrial and commercial applications, each with excellent growth prospects. The Group looks to work with, and partner with, customers to enable Directa Plus to deliver to the customer the exact graphene product required to enable the customer to capitalise on the high-performance benefits of graphene. In addition, the Group has been successful in embedding the Group's G+ logo on final products. Directa Plus' graphene is already incorporated into several commercial applications in the elastomers, smart textiles, composite materials and environmental sectors. The Company plans to capitalise on its patented, high temperature 'plasma super expansion' technology, to capture the growth opportunities from these existing applications as well as deliver against its pipeline of opportunities.

The Group's manufacturing facility in Italy is already capable of producing up to 30 tonnes per annum of graphene based material. The Directors believe that its manufacturing capability and proven production process provide Directa Plus with an opportunity to become a leading player in the ongoing and expanding commercialisation of graphene and associated nanomaterials. The Directa Plus production process has been designed on a modular basis and provides the Group with the opportunity to generate revenue at each stage of the production process. In addition, the modular approach enables the Group to replicate the production process in an efficient manner so as to facilitate a scale up to satisfy the anticipated increased demand for Directa Plus' graphene products. Directa Plus' production process is comparatively low cost and efficient at transforming base graphite into graphene with minimal waste. The production process produces a highly consistent graphene product, an important factor for commercial customers, does not use any chemical or solvent additives, nor does it need to be functionalised to be commercially viable for its end customers and crucially is already capable of producing up to 30 t/a.

The Company is seeking to raise approximately £12.8 million (before expenses) through the Placing, the net proceeds of which will principally be used to support the ongoing development of G+ applications with existing and potential customers, to increase the manufacturing capability and production volumes of the Group, the repayment of certain of the Convertible Loans and for general working capital purposes.

The Board believes the Placing will provide Directa Plus with the capital to support its growth strategy and to capitalise on the pipeline of commercial opportunities the Group is currently exploring with existing and potential partners. In addition, Admission will provide Directa Plus with a platform to enhance the corporate profile of the Company.

2. HISTORY AND BACKGROUND

Directa Plus was founded on 22 March 2005 and its manufacturing facility is located at the Como Science and Technology Park in Lomazzo, Italy.

Directa Plus was incorporated by the initial developers of the technology, Giulio Cesareo, Robert Angelo Mercuri, Dave Cate and Paul Calarco. The initial founders of the Company had all worked in the graphite industry and this experience led them to believe that an exciting market opportunity existed for graphene materials. The initial strategy was to create a company that was able to produce sustainable nano-materials at a reasonable price using scalable production process. The final aim was to focus on specific existing markets and in particular ones where their experience in graphite suggested strong market opportunities for graphene. In June 2006, the Group filed its first patent application for Directa Plus' plasma super expansion G+ production process. After funding the initial development of its graphene production process through the founder shareholders, in 2009 the Company obtained external funding with Quadrivio Capital acquiring a 24.7 per cent. interest in the business. This provided the Company with the additional capital required to further develop its graphene processes. In June 2010, the Group was granted the patent for its super expansion production process by the US patent and trademark office.

In December 2011, the Group launched a small pilot manufacturing plant at its present location in Lomazzo, Italy. This allowed the Group to demonstrate to potential partners the capabilities of its graphene products in order to highlight the commercial opportunities provided by Directa Plus' graphene across a range of commercial applications. A year later, following months' of testing, Directa Plus signed its first commercial agreement with Vittoria to develop and explore the opportunity of Directa Plus' G+ graphene in bicycle tyres. In 2013, Directa Plus' Grafysorber® (at that time called Basic G+) was certified by the Italian Environment Ministry as a product that could be used to clean-up oil spills. By 2014, with increasing demand for Directa Plus' graphene, the Group commenced work on expanding the manufacturing capacity at the Lomazzo facility to 30 t/a, a process that was completed in June 2014. To support ongoing working capital requirements, the Group raised approximately €5.5 million in 2014 and 2015 through the Convertible Loans.

During the last twelve months, collaborations between Directa Plus and its partners to develop commercial products have begun to translate into commercial sales. In October 2015, Vittoria launched its new range of high-performance bicycle tyres and wheels incorporating Directa Plus' G+ technology. In December 2015, following successful remediation work on contaminated water in Italy and Romania using Directa Plus' Grafysorber® product, the Group sold three mobile decontamination units for tackling environmental emergencies. In January 2016, at the international sport fair, ISPO, held in Munich, in collaboration with Colmar, the high-end Italian sports and activewear company, a sports clothing collection (comprising ready-to-wear ski jackets for men and women, ski suits, technical underwear and a polo shirt) incorporating Directa Plus' G+ product was launched. This was the first application of Directa Plus' graphene nanotechnology in sportswear. Directa Plus has now created a range of graphene products, in powder, paste and liquid form, all under the G+ brand and has supplied more than 2.2 tonnes of graphene-based products in the last 18 months.

3. GRAPHENE AND THE MARKET OPPORTUNITY

Graphene is the main building block of all graphite materials. In its purest form, graphene is a single sheet of carbon atoms arranged in a 2D honeycomb lattice.

Graphene was first isolated in 2004 by academics in the UK and since that date the exploration of the commercial market opportunities for graphene has been researched extensively. In its purest form, graphene possesses a strong combination of electrical, mechanical and thermal properties, which gives it the potential to replace existing materials in a wide range of applications and, in the longer term, to enable new applications. The specific properties of graphene are:

- a surface area of around 2,630 m² per gram that can facilitate any chemical process;
- mechanical resistance that is approximately 200 times greater than steel;
- thermal conductivity that is more than twice that of diamond;
- a density equal to half that of aluminium;
- elasticity equal to six times that of steel; and
- very high electrical conductivity, transparency, lightness and flexibility.

Because of the unique characteristics of graphene, there has been significant investment in exploring the potential commercial applications of graphene. The global graphene market has seen a rapidly rising number of patent applications being filed and the graphene market is estimated to show a CAGR of 42 per cent. between 2014 and 2022, growing from \$62.4 million in 2014 to \$1,039 million by 2022. To date however, most of the activity relating to graphene has been on research and development activities where production has been of small batches produced in laboratories. The Directors believe that historically, most of the activity in the graphene sector has been focused on the following key areas:

- Smart textiles – thermal and electrical conductivity, barrier properties and wearable electronics;
- Composites – adhesives, sealants and high performing polyester and epoxy resins for enhanced mechanical, thermal, electrical and permeation properties, brake pads and other friction materials;
- Elastomers – combination with silicon for heat management, replacement of carbon black in tyres;
- Energy storage – improvements to carbon based lithium ion batteries and supercapacitors;
- Conductive inks and other functionalised coatings such as anti-corrosion coatings, transparent conducting electronics, biomedical and industrial sensors; and
- Advanced electronics – replacement for indium tin oxide and use in semi-conductors.

Whilst the term graphene was originally used to describe a single 2D sheet of carbon atoms, given the multiple potential uses for graphene the term has now evolved to encompass a diverse family of 'graphenes' with different forms, manufacturing routes, properties and end-market uses. The Directors believe that graphene can be divided into either 'large-area' epitaxial graphene or particulate graphene, known as bulk graphene, which ranges from few layer graphene ('FLG') to many layer graphene, called graphene nanoplatelets ('GNP's'), which typically comprise 10 to 100 graphene layers.

Graphene can be produced through either a top down process, involving the mechanical or chemical exfoliation of bulk graphite to produce a form of graphene, or a bottom up method, involving the chemical assembly of graphene sheets, generally on a substrate, through chemical vapour deposition ('CVD'). The top down route is the most widely adopted method of production for larger volumes, but the disadvantage is that this method is often restricted to batch production and often requires many steps to reduce the graphite. Difficulties are encountered in producing graphene without imparting damage to the graphene flakes and also in the introduction of impurities from chemicals used in many exfoliation processes. The bottom up CVD process is expensive because of the need to remove the metal substrate from the graphene film, although the Directors believe that companies are starting to look at producing a substrate-free synthesis.

Whilst it is recognised that graphene's properties lend themselves to multiple potential commercial products, the ability to produce graphene on a commercial scale has proved an important barrier to commercialisation to date. The Directors believe that challenges have had to be overcome in optimising the morphology and/or surface chemistry of the flake material to ensure its effective dispersal and compatibility within a host material and its effectiveness therefore as a nano additive. The properties ultimately conferred to the host material are affected by the form, average flake size, number of layers, the purity of the nanomaterial and any chemical groups on the flakes' surface. Each market opportunity has different performance requirements and therefore different material specifications and cost structures.

Directa Plus has already developed to a commercial stage some applications, in particular tyres, water filtration, thermal, conductive and high strength composites, and is also undertaking research and development work with potential customers to develop graphene applications in the wearable technologies, lithium ion batteries and lubricant markets. Whilst the latter markets represent good medium to longer term opportunities, the Group's near term commercial focus will be on those areas where commercial applications are already established.

Whilst the market opportunity is significant, the Directors believe that to fully capture the market opportunity, the ability to produce graphene on a consistent basis, on an industrial scale and in different forms to address the differing requirements of the potential market applications are of crucial importance.

4. DIRECTA PLUS BUSINESS OVERVIEW

Directa Plus is a technological company pursuing the development of innovative manufacturing processes for the commercial production of graphene targeting existing global markets. Directa Plus' graphene manufacturing capability uses patented technology based on a plasma super expansion process developed by the Group. Starting from natural graphite, each step of Directa Plus' top-down production process – expansion, exfoliation and drying – creates graphene-based materials ready for a variety of uses and available in various forms such as powder, liquid and paste. Each of these steps in Directa Plus' production process provides the Group with a form of graphene that is capable of generating commercial revenues.

Directa Plus' products are that of GNP's. The material (marketed by Directa Plus as G+) has multiple applications due to its physical, chemical, electronic and thermal properties. Directa Plus' other products can be categorised into various families, with different products being suitable for specific practical applications. Directa Plus has focused on specific existing markets where they believe higher near term returns are available. These near term markets are elastomers (i.e. rubber like materials), the environmental sector, smart textiles and composite materials.

The Company's strategy has been to partner with potential customers at an early stage and work with them to develop tailor-made graphene forms that have the desired morphology for each potential customer's specific applications. Directa Plus' products can either be used directly (such as in the environmental sector where the Company's basic G+ Grafysorber® product can be applied to oil spills or to help absorb oil on the surface of water) or custom blended to meet a customer's technical requirements. By adopting a

collaborative approach with customers, the Directors believe that they are able to create strong relationships with customers and become an integral part of their customer's graphene based product development.

Directa Plus owns two production technologies, both covered by patented IP. The core technology is the Company's G+ technology focused on the production of graphene based materials. Before the Company began focusing on graphene, it had also developed and patented another technology, called D+, which is a low temperature production process to produce metal nano-particles (precursors are metal carbonils). Materials produced from this process can be used in catalytic converters and for selective catalytic reduction to reduce nitrogen oxide emissions. The Directors believe that this patented technology has reached proof of concept stage but this technology is not part of the core graphene strategy of the Group. Therefore, the IP relating to the D+ process is currently not expected to be progressed although the Directors believe that the IP around this technology could potentially be sold to a third party in the future.

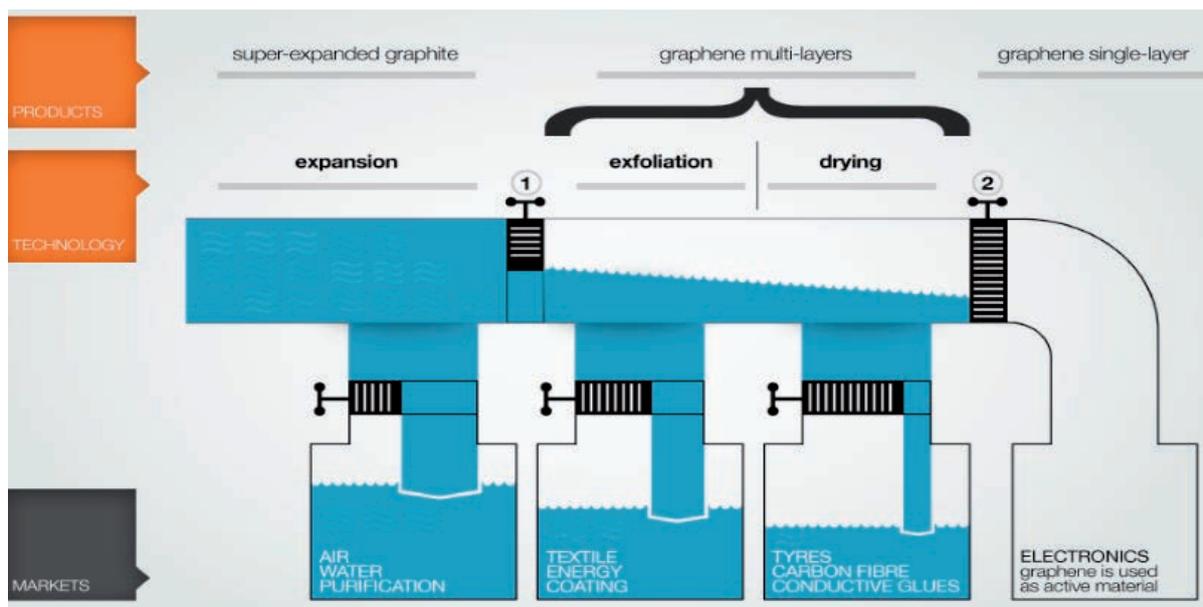
Directa Plus' G+ Technology

The Group's graphene based materials are made of GNP's produced using a continuous, simple, scalable, and comparatively low cost manufacturing process. Directa Plus' production process transforms natural graphite, a widely-available, sustainable and commonly-used raw material, into graphene based products through three principal phases of production: expansion, exfoliation and drying.

The first step in the process, which uses the Group's core plasma super expansion patented technology, is a thermal plasma expansion of intercalated graphite, which produces super-expanded graphite. This process begins with the plasma super expansion of high quality, intercalated flake graphite (over 95 per cent. purity). Intercalation is an established process whereby an intercalant material is inserted between the graphene planes within a graphite crystal. Directa Plus' plasma super-expansion process takes place at temperatures of approximately 10,000°C, considerably above the temperature that graphite would normally vaporise. There are many variables involved in the process, representing a significant amount of know-how in addition to Directa Plus' key patent. Due to the use of extreme temperature, Directa Plus achieves an expansion ratio that the Directors believe is a multiple of other established expansion processes. Its super-expanded graphite has a worm-like accordion structure made up of GNP's.

The second step is a fine exfoliation of the super-expanded graphite, which is carried out in a liquid solution using water. This second principal production phase involves breaking up the accordion structure to release the pristine GNP's. Morphology is controlled in both the expansion and exfoliation phases. Importantly, Directa Plus' exfoliation phase does not use chemicals or surfactants. The outputs from this process are water-based liquids and pastes of GNP's with engineered morphology.

The third step is a drying method to provide an anhydrous/powder form of GNP's in order to satisfy any processing/application requirements. Each production step is able to generate marketable products, which means that Directa Plus can adapt the output based on market demand thanks to the flexible production process, as shown in the diagram below.



The Directors believe that the Company's G+ production process is environmentally friendly given the low energy consumption during the process and no material production of waste from the process. G+ products have strong electrical and thermal properties (high conductivity), mechanical and barrier properties. Each of Directa Plus' graphene-based products, as described in further detail in this section, has its own applications and markets.

Directa Plus' GNP's have a thickness which generally comprises of between 0.34 nm and approximately 6 nm, which equates to 1 layer of graphene to approximately 17 layers. The average number of G+ GNP's is 9-10 layers. Directa Plus' GNP's are characterised by a negligible amount of lattice defects and absence of oxygen functionalities or other functional groups. The lateral dimensions are in the micrometer range (up to 10 µm) while the thickness is below 3-5 nm. The high crystalline quality together with the high aspect-ratio make these materials suitable for the production of high performance composites. These types of products, which exhibit the beneficial properties of graphene, are considered as special additives and therefore can be incorporated in a variety of materials (plastics, rubbers, resins, etc) to enhance their existing properties or to confer completely new ones. The properties that GNP's could confer span from mechanical reinforcement to electrical/thermal conductivity to barrier and tribological properties.

Directa Plus' family of graphene products

Directa Plus produces six families of graphene based materials, from 3D to 2D, which are protected by 12 granted patents with 9 patents pending. The initial product produced by Directa Plus' plasma super-expansion process is Basic G+ (also known as Grafysorber®) and the Company's production facility in Italy can produce up to 30 tonnes per annum of its Grafysorber® product. As set out above, all other products produced by Directa Plus are derived from this initial super-expanded product. The other families of graphene based materials are:

- Ultra G+: very fine powders of super-expanded graphite
- Liquid G+: water-based dispersions of pristine GNP's
- Paste G+: highly concentrated water-based paste of pristine GNP's
- Pure G+: extremely fine nanopowders
- Zapp G+: masterbatches of pristine GNP's
- Dub-Masterplast G+: thermoplastic master batches of pristine GNP's

Grafysorber® (Basic G+)

The initial super expansion phase in Directa Plus' production process is based on a thermal treatment of natural graphite. This process increases the interlayer distance of the graphite sheets to extreme limits and forms expanded graphite macrostructures. The accordion-like structures – which consist of a few layers of

graphene weakly tied along the edges – the high level of affinity for organic molecules and the structured porous morphology translates into excellent adsorption capacity for organic pollutants.

Given these properties, the key market for this product is the environmental sector with Grafysorber® being targeted at the treatment of water and soil contamination and the production of oil adsorbent barriers. The Italian Environmental Ministry has already approved Grafysorber® as a solution for cleaning up oil spills.

The Directors believe that Grafysorber® presents strong and potentially more immediate market opportunities to Directa Plus. The Group can sell Grafysorber® directly and has also developed and launched a mobile Grafysorber® decontamination unit which contains a proprietary and patented plasma machine that is able to produce Grafysorber® thereby being able to be deployed in the field at the location of any spill. Launched in December 2015, Directa Plus has already sold three such units.

Ultra G+

The second stage in Directa Plus' production process uses an air-shock treatment to the Basic G+ which fragments the accordion-like structure of Grafysorber® in order to increase its apparent density. The powders produced through this process can be easily managed and used as an additive within standard procedures for making compound materials. This product demonstrates good thermal and electrical conductive properties and the Group is targeting the polymer and elastomer markets for this product.

Liquid G+

Through a proprietary exfoliation method of Ultra G+ or Basic G+, Directa Plus is able to produce a water based dispersion of GNP's at different concentrations but with low viscosity. This is a highly concentrated water-based graphene dispersion and the particles are characterised by a very fine sheet-like morphology. No oxidation is involved within the preparation which means that the intrinsic outstanding properties are preserved. The high aspect ratio is a crucial factor in the performance of Liquid G+.

The key potential markets for this product include the energy sector (e.g. lithium ion batteries, electrochemical cells and supercapacitors), the construction sector (due to its flame retardant properties) and clothing (thermal and electrical properties at a yarn level).

Paste G+

Liquid G+ can be amended to a highly concentrated, water based graphene paste, in which the GNP's are characterised by a high aspect ratio and a very fine sheet-like morphology.

No oxidation process is involved in the preparation so the intrinsic outstanding graphene properties are preserved. Directa Plus' Paste G+ is free of surfactants and of solvents. This product's initial primary market is the textile market.

Pure G+

Pure G+ is created through drying the Liquid G+ again avoiding oxidising steps. It is a dry powder of pristine GNP's. The high purity, fine particle dimensions and manageable density make Pure G+ an additive which can be easily mixed in other materials. When used as an additive, Pure G+ can provide different properties to the hosting material, including reinforcement, electrical and thermal conductivity and barrier properties (impermeability and flame retardancy). The Directors believe that the market opportunity for Pure G+ is in the tyre market as well as pipes and carbon fibre composites, thermoplastics and bioplastics.

Zapp G+

A polyolefin based masterbatch of pristine GNP's produced without any surfactants or processing aids which provides a pristine graphene product that is ready to use. Zapp G+ is provided in granular form and facilitates the incorporation of GNP's into a final compound, ensuring faster dispersion and distribution compared to traditional fillers.

Dub-Masterplast G+

Dub-Masterplast G+ is a family of thermoplastic masterbatches of pristine GNP's. This material is produced according to customer's requirements of polymer type, G+ grade and concentration. Dub-Masterplast G+ products, being in granular form, dramatically facilitates the incorporation of GNP's into the final compound and ensures a faster dispersion and distribution compared with traditional fillers.

Matrices already available and developed, using Dub-Masterplast G+, for specific applications include:

- polyamide6 (PA6)
- polycarbonate (PC)
- polypropylene (PP)
- polyethylene terephthalate (PET)

Directa Plus is able to create and produce tailor-made masterbatches to satisfy each clients' specific requirements.

Awards

The Directors believe that Directa Plus has established a strong brand in the graphene market and its product has won a number of awards since 2012. In 2013, the Group was awarded, by the Legambiente environmental association, the "Innovazione Amica dell'Ambiente" (Environmentally Friendly Innovation) award for the Lombardy region in recognition of the work it had been doing with Vittoria to develop graphene in racing bike tyres.

In 2014, Directa Plus was identified as a "Top 10 cleantech SME" in Italy by the Cleantech Group in collaboration with Italy Cleantech Network, the Italian Ministry of Environment, the Italian Trade Agency and with the participation from a panel of top Italian cleantech investors and companies. Directa Plus was also awarded, in conjunction with Vittoria, an Expobici Innovation Award in 2014 for the first carbon-fibre bicycle wheel rim reinforced with G+.

At IDTechEx Berlin 2015, bicycle wheels produced by Vittoria with Directa Plus' G+ brand was recognised with the "Best Commercialization Award" for the graphene-based cycling wheel that it developed in conjunction with Vittoria and at the 18th European Eco-Innovation Forum in Barcelona, Directa Plus' GEnuS (Graphene Eco Innovative Sorbent) project was acknowledged in the "Best of Eco-innovation: project success stories". Also in 2015, Directa Plus received the "Federico Faggin Innovation Award" at Olivetti Day 2015 for "research and development demonstrated in the fields of new materials and nanotechnology".

In March 2016, the new Colmar sportswear capsule collection enhanced with Directa Plus' graphene, was selected among the top 10 textile innovations for 2015-16 by the US web network FabricLink, a leading web platform for the textile industry.



More recently, the Directors were delighted to receive ISO9001–2015 accreditation for the production and commercialisation of pristine GNP's and graphene based products of different morphologies and for the research and development of different industrial applications with graphene inside and for the development of the industrial production process of graphene.

Directa Plus' manufacturing capability

A key focus for the Board was the ability of the Group to have in place the manufacturing capability to address the commercial market opportunity. The Board recognised the development work being undertaken by companies in the graphene sector to confirm the commercial opportunity for graphene but believed that an essential component of their discussions with potential commercial partners was the ability to produce graphene on a commercial scale.

Directa Plus has therefore established what the Directors believe to be the largest European pristine GNP production plant in Lomazzo, Italy. The production facility in Lomazzo, Italy was designed with a modular structure and has a production capacity of up to 30 t/a for Directa Plus' Grafysorber® product. The key features of Directa Plus' production facility and production process are its:

- low production costs with limited energy inputs required and no chemicals and solvents;
- a production methodology that is proven to deliver consistent, pristine GNP's;
- control of GNP morphology to tailor the Group's high aspect ratio GNP's;
- a continuous, efficient production process with minimal waste; and
- a low cost of capital investment and a modular design which the Directors believe facilitates ease of scale up to address increasing requirements for Directa Plus' graphene products.



The Company's manufacturing output is a mixture of 3D (being the Basic G+ (Grafysorber®) and Ultra G+ products) and 2D (being Liquid G+, Paste G+, Pure G+ and Zapp G+ products) materials. The overall potential production capacity from the Company's existing facility in Italy has been increased to 30 t/a (of 3D materials) of which 4.2 tonnes could be 2D material. In 2015, the Company operated on a single shift and produced and sold approximately 1.3 tonnes of graphene based products of which 0.1 tonnes was 3D material and 1.2 tonnes of 2D material. Having regard for the existing orders already received and the pipeline of opportunities, the Directors believe that in 2016 the production output will continue to increase. To satisfy anticipated demand, the Company installed an additional exfoliator in January 2016 which enabled it to increase the production of its 2D graphene products up to 7.8 tonnes and the Company has already commenced a second shift to satisfy orders for its graphene.

Part of the proceeds of the Placing will be used to further improve the Group's capacity in Italy by adding additional exfoliators thereby enabling it to increase its maximum production capacity of 2D material to 15 t/a. In addition, the Directors intend to use part of the proceeds of the Placing to invest in a production plant in Thailand to establish a manufacturing presence in the important and fast growing Far East markets. The plant will provide a second production site and when completed will provide the Group with an additional potential production capacity of approximately 50 t/a (of which 29 tonnes could be 2D material). The new facility in Thailand is expected to be completed by the end of the first quarter of 2017. Following the additional investment in Italy and the completion of the new plant in Thailand the Directors expect the Group to have a possible overall annual production capacity of 80 t/a of 3D material and from that, 44 t/a of 2D material by the end of 2017.

The Company has already identified a location and premises for its new production facility in the South-East of Thailand in an area that the Directors believe will provide the Company with good future opportunities. The key benefits that are expected from this investment are:

- A prominent industrial location – the Directors have identified a site that is very close to Vittoria, its principal customer in the region. The location also provides Directa Plus with potential exposure to a substantial cluster of leading automotive and plastic and polymer suppliers. There are several large OEM plants operating nearby including Ford, GM, Mazda, Suzuki and SAIC Motor and the Directors believe that the automotive sector should provide a good long term opportunity for the Company's graphene products;
- Enhanced access to Far East markets – the Directors believe that Far East markets demonstrate a willingness to adopt new technologies which is a major attraction for Directa Plus as it seeks to extend into new customers applications and markets; and

- Important additional capacity – Directa Plus has rapidly growing commercial sales and a strong pipeline of commercial opportunities across its targeted markets. The Directors believe that the Company has already established itself as a leading European producer of high aspect ratio, pristine GNP's and believe that there is now a clear need to expand production capacity to cope with anticipated demand. A second production location provides the security of supply that will be required by customers launching products that depend on graphene for their enhanced performance.

5. DIRECTA PLUS' TARGET MARKETS

Directa Plus' business model from the outset has been to focus on delivering commercial sales for its graphene products. The business model has been to bring graphene "out of the lab" combining strong research and development with the ability to produce high quality and consistent products. From an early stage, the Group decided to focus its efforts and resources on selected target markets that it believed were more likely to be able to generate revenues in the short to medium term. The Group identified areas of the market where there was a known and existing desire to innovate, which had potential mass market applications and high economic returns and where graphene materials could generate a significant performance improvement. In addition, the Group has sought to work in collaboration with potential commercial partners to try and ensure that the work to develop graphene into applications was done together to assist the customers to find commercial applications for their graphene enhanced product at the earliest opportunity.

Directa Plus has initially focused on five market segments and in four of these, elastomers, textiles, composite materials and environmental industries, the Company has already launched commercial products with its customers.

Elastomers

In the elastomer sector, Directa Plus has identified two potential markets for its graphene; in consumer products (tyres – bicycle and automotive) and industrial products (rubber hoses, tubes, seals). Each of these are at different stages of development.

In the tyre market, the research and development phase to redesign these critical parts of bicycles or cars is normally relatively long (from 1 to 3 years on average), but once approved the business is stable in the longer term and the volume potential is high. Another attractive attribute of the bicycle market was the near term market opportunity and growth characteristics of the sector. The global bicycle industry is expected to continue to grow over the next few years and is forecast to reach an estimated value of \$65 billion by 2019. The major driver in the bicycle industry has been the emergence of cycling as a preferred recreational and fitness activity. Growing traffic congestion and increasing demand for low-cost transportation in developing countries has helped drive the bicycle industry. Electric bicycle use in North America and Western Europe is a new trend as a growing transport option in these regions.

The Group entered into its first joint development agreement with Vittoria in 2012 and together the two companies collaborated to explore how graphene could be used to enhance the performance of the tyre and the wheel of a bicycle. This work and collaboration was successfully concluded and in September 2015, Vittoria launched an entire new range of on-road, off-road and mountain bike graphene-based tyres. These tyres have been independently tested by Wheel Energy, Finland and have been proven to offer improved speed, grip, strength and increased puncture resistance to the point of being puncture proof. The tyres have also been shown to greatly reduce rolling resistance, offering a 32 second advantage over a distance of 50km compared to tyres previously leading the market in terms of their performance. Together with Vittoria, Directa Plus' growth strategy within cycling includes work on incorporating graphene enhanced textiles, other graphene enhanced bicycle products and electric bicycle tyres, where the properties of graphene are increasingly important for stability, durability and safety.

The Group has also been working in the automotive space. The paradox in the automotive sector is that engines, car bodies and accessories are becoming lighter and faster, but at the same time technology for rubber compounds tyres has not yet been able to evolve at the same speed. The Directors believe that Directa Plus' graphene could help automotive tyres by decreasing the rolling resistance and increasing grip, improving puncture resistance and thermal dissipation. The Group is already at an advanced testing stage in two industrial applications in this area. Furthermore, the Directors believe that the Company's graphene product could prove applicable to other areas of the automotive industry, where graphene can improve the

performance and durability of seals and other rubber based products within vehicles. According to LanXESS, there are approximately 18kgs of rubber, excluding tyres, in an average vehicle.

In addition, the Company has been pursuing other opportunities in rubber hoses, tubes and seals with joint development agreements already in place with two companies in this area. Test results have demonstrated significant performance enhancements, for example, in hydraulic rubber hoses. Rubber and plastic hoses and hose assemblies are used as flexible connections moving of materials such as air, water, oil steam, powdered materials and foodstuffs.

The Directors also believe that there is also potential in the management and reduction of heat produced by LEDs to maintain and extend a products' working life. Traditional LED based products use a variety of means to dissipate heat, including graphitic and copper heat spreaders, but these are often expensive and lack the ideal technical characteristics. The use of Directa Plus' G+ products (Ultra G+, Pure G+) in silicon to provide thermal conductivity offers a high performing solution at a low price. Directa Plus has already explored this market opportunity through a partnership with a third party and has developed thermal conductive silicone stripes, successfully applied for heat dissipation purposes in high power flexible LED stripes significantly increasing their life cycle.

Textile

The global smart textiles market is expected to exceed USD 1.5 billion by 2020 and the Directors believe that innovation in textiles will be a key driver for the market.

The Directors believe that there is a need from fashion and textile brands to create new products for the end-user and to differentiate themselves from competitors by offering innovative technical benefits and new trends. There is a positive correlation between technical textiles and fashion, where Directa Plus can play a key role. Directa Plus' G+ materials behave as a multi-functional additive that offers a wide range of unique properties including electrical and thermal conductivity, bacteriostatic and antistatic effect, tribology, flame retardant effects, infrared and electro-magnetic interference shielding, that could be applicable to many textile applications such as sportswear, technical textile, fashion (accessories), shoe-wear, military, home textile, smart-textile and automotive.

Clothing

Directa Plus has already developed several ready-to-use products for these applications and thanks to strategic partnerships with important players in the field, the Company is able to offer fashion brands a complete and professional solution. Directa Plus' graphene also offers both the client the possibility of providing performance enhancement to the garment but also safety to the end user as Directa Plus is one of the first graphene companies that has conducted and published non-toxicity and non-cytotoxicity certificates. The Company's approach to using its G+ motif on textile applications also has the advantage of strengthening its brand awareness. The Directors believe that Directa Plus is the first graphene company to have its product launched in an entire graphene-based sportswear collection. In January 2016, outdoor brand Colmar unveiled a range of sportswear incorporating the Company's G+ graphene. In addition to race suits, now being worn in competition by the French ski team, the inaugural collection contained men's and women's ski jackets, technical underwear and a polo shirt for the golf market. The presence of graphene enhances the performance of these clothes by allowing heat to spread uniformly through the garment, avoiding localised hot spots. In summer, clothes will feel cooler as heat is dissipated from the whole garment. There are other significant benefits in reduced friction with air and water, and electrostatic and bacteriostatic properties.

Following the successful launch of the Colmar range, Directa Plus has a number of further opportunities in its pipeline and has captured the interest of global textiles companies and brand owners who can readily see the effective differentiation of products incorporating G+.



Home textiles

Another market where the Group is focusing is in home-textiles, exploiting graphene's flame-retardant, barrier, electrical and thermal conductivity properties and bacteriostatic effect. The main applications ready to be commercialised following development work undertaken by the Company are:

- Flame-retardant additive to textiles: Directa Plus has been able to substitute antimony trioxide, a widespread toxic flame-retardant material used for example in airplane seats, with Directa Plus' graphene acting as a non-toxic additive that provides/created a high flame-retardant property.
- Mattress cover: Directa Plus developed a graphene-printed fabric suitable for mattress covers that provides bacteriostatic and antistatic properties. Due to its thermal conductivity properties, it enables/the covers demonstrated heat qualities (ideal in summer time), whilst due to its good electrical conductivity with the application of a voltage it could also be warmed up in winter time.
- Synthetic leather: Directa Plus has created a graphene-based synthetic leather that presents thermal and electrical conductive, bacteriostatic and antistatic effects suitable for many different applications, such as leather seats in the cars, upholstery, office supplies, gym equipment and carpets.

Composite materials/plastics

Similar to the elastomer opportunity, Directa Plus' G+ graphene materials behave as an enabling additive for the resins used in combination with carbon fibre to improve its mechanical properties as well as exploit new ones such as thermal dissipation. From transport to the construction industry, composite materials and resins are employed today in practically every market and application. Global consumption of nanocomposites is expected to grow in unit terms from around 225,060 metric tonnes in 2014 to 584,984 metric tonnes in 2019.

The potential to reduce the weight of industrial and consumer products, as well as increased mechanical properties, is crucial for a wide range of industries that use composite materials (for example, the aerospace, automotive, construction and consumer goods sectors). In the composite sector an important consideration is that every client has their own proprietary technology and has to protect their know-how. As such the time to redesign and to create a new product implies a long research and development programme and high level of customisation.

The Directors believe that the Company has already established its credentials in the composites space having worked with Vittoria to produce a new graphene-enhanced composite wheel. This lightweight wheel has already shown improved thermal dissipation and flexibility whilst also demonstrating improved impact strength and lateral stiffness. This bicycle rim developed with Vittoria has already been awarded the Best Commercialisation Award by IDTechEx in April 2015. Even at extremely low concentrations, G+ products can confer outstanding mechanical reinforcement. At higher concentrations, G+ products provide electrical

and thermal conductivity, infrared and electromagnetic shielding, and excellent air barrier properties that provide anti-corrosion and flame-retardancy.

Graphite is a central material in the friction industry, especially in the production of brake pads and clutch linings. Where graphite modulates the braking effect of friction linings and essentially contributes to braking comfort and reduced braking noise, the Directors believe that graphene potentially offers performance attributes that are vastly superior to current products in this area. Graphene also significantly outperforms graphite in terms of its thermal conductivity and heat dissipation which is a key factor in the lifespan of brake and clutch products. Directa Plus has an established relationship with a leading global brake manufacturer with testing underway and positive results already being achieved.

The Company has also signed a commercial agreement with a global luxury accessories producer for graphene enhanced spectacles. Product is expected to launch in the fourth quarter of 2016 and whilst volumes will be small, given the strength of the brand, the Directors believe that the launch should raise awareness of the Company and its G+ graphene.

Environmental

The environmental sector, especially in relation to remediation activities, is extremely conservative and characterised by the use of old and non-sustainable products and technologies. There is one key driver for this sector: the need to face pollution with green and innovative materials and technologies in a cost effective way to reduce costs. Directa Plus has already developed a natural, chemical-free, non-toxic and recyclable product that can tackle environmental emergencies and historical contamination.

As far as the Directors are aware, Directa Plus' basic G+ material, Grafysorber[®], is the world's first graphene based system for use in environmental emergencies such as oil spills. The Directors believe that Grafysorber[®] has many advantages over traditional sorbents such as polypropylene and surface modified cellulosic materials, and alternative technologies involving surface skimming, chemical dispersants and in-situ burning. Grafysorber[®] is hydrophobic but also very oleophilic, which means it has a significant capacity to quickly adsorb oil particles from water. The Directors believe that as Grafysorber[®] is inert, non-flammable and non-toxic it does not in itself damage the environment. Tests already undertaken at oil spills in Italy and Romania have shown that Grafysorber[®] performs up to five times better than other sorbents reducing contamination to near potable levels. The environment ministries in both countries have approved its use and the remediation projects demonstrated an overall reduction in clean-up costs compared to other methods. In Romania, Directa found that contamination was reduced from 300ppm to 0.5ppm in a contact time of only 10 minutes. Speed of adsorption is one of the critical factors in containing an oil spill before dispersion creates significantly greater clear-up issues. As a result of these qualities, the Directors believe that its Grafysorber[®] product has significant opportunities in the remediation of water, covering both off-shore and on-shore oil-spills.

Oil spills require an efficient and rapid response to firstly contain the spill and subsequently to clean up its effects on the local environment to minimise the environmental impact. Therefore the ability to quickly deliver the materials required for this work is vital and the Group has developed a mobile unit capable of making its Grafysorber[®] product on location. Each mobile decontamination is able to produce 10 tonnes a year of Grafysorber[®] which is capable of absorbing up to 800 tonnes of spilled oil. The Directors believe that the Company's Grafysorber[®] mobile decontamination unit is the world's first mobile production unit able to produce graphene directly at contaminated sites.

The main features of these decontamination units include:

- Flexibility: Each unit can be easily moved from one contaminated site to another;
- Cost effective: The absorbent material can be produced directly on-site and on-demand;
- Unique and patented: The production process is based on Directa Plus' patented plasma super-expansion process; and
- Eco-friendly: No waste production and no water consumption with low ecological footprint and environmental impact.

The Director's business model for Grafysorber[®] mobile decontamination units is a combination sale comprising the sales of the container with a license that allows the client to produce, sell and distribute

Grafysorber® in the geographic area covered by the agreement. Directa Plus sold three mobile decontamination units in December 2015.

Grafysorber® decontamination units



Internal view of decontamination unit

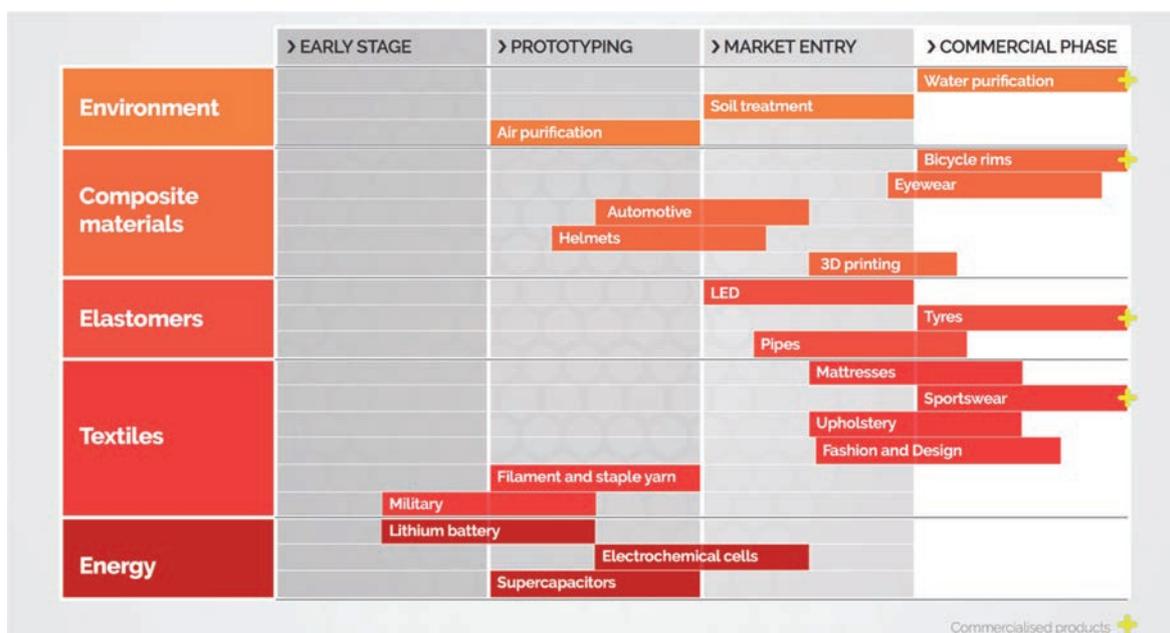


The Company is now developing its Grafysorber® technology for soil remediation such as contaminated soil and sand and air treatment applications where the Directors believe there is significant potential demand for a high performance solution. Tests have shown some very promising results and have covered the absorption of uncombusted oils and hydrocarbons and dioxin-like compounds by either the injection of pure G+ (instead of activated carbons) or through the use of filters coated with liquid G+.

Energy

The Directors believe that in the long term, opportunities exist for the Group to expand into the energy market. This includes the lithium-ion battery market where graphene's greater energy density than that demonstrated by existing carbon and graphite components of such batteries could prove attractive. The Company is already part of a multi-partner European consortium that has been grant funded by the European Union to explore the opportunity for graphene in batteries. In addition, the Directors believe that graphene will also start to be applicable to the supercapacitor markets in the future. Whilst continuing to develop its graphene to address the needs of the energy sector, this is more of a longer term opportunity.

The Directors believe that Directa Plus' commercial pipeline can be summarised in the diagram below:



Whilst these sectors represent the Company's core near-term opportunities, the Directors believe strategic opportunities could exist for the Group in the following areas:

Wearable technology

As well as actual clothing, graphene can be used in wearable technology, which covers devices and apparel/textiles. The wearable technology business is forecast to grow from \$20 billion in 2015 to almost \$70 billion in 2025, with the largest constituent being within the healthcare sector which merges medical, fitness and wellness. Directa Plus is working with a strategic partner to provide graphene-based fabrics that represent an alternative solution to traditional metallic wire networks and offer advantages in terms of toxicology, flexibility, lightness, speed, maintenance, durability and resistance.

3D Printing

The global market for 3D printing, materials and associated services is expected to total approximately \$16.2 billion by 2018, as 3D printing continues to make inroads into different industries, including construction, aerospace, automotive and the medical technology. The use of 3D printing enables product developers to print parts and composites from different materials with unique mechanical physical properties in one single process. This process is also known as "additive manufacturing". In recent years, technology for 3D printing has advanced in three areas: printers and printing methods, software to design and print, and materials used in printing. In 3D printing, hundreds or thousands of layers of material are "printed" layer upon layer using various materials, or "inks", most commonly plastic polymers and metals. Directa Plus' strategy for this market is to develop a graphene-based filament used in 3D printing in conjunction with strategic partners.

High Performant Lubricants for Gears

With Directa Plus capable of producing graphene in a liquid form it can be used as an additive in traditional lubricants to enhance performance under extreme conditions and in terms of durability. The Company has already successfully tested a G+ lubricant for use on bicycles and the Directors hope to proceed into a commercialisation phase to develop a commercial product over the next two years.

Polyethylene

Polyethylene is one of the most common materials in everyday life and the market demand is estimated to reach 100 million tonnes by 2018. From a chemical point of view, it is a basic plastic material, used as a raw material in the processing industry to make a wide range of finished products, from clingfilm or plastic wrap for packaging, bottles and industrial containers to more sophisticated products such as vehicle tanks, solar panels, medical prostheses and "smart" packaging. Directa Plus is currently working with a multinational business to develop graphene enhanced plastics to improve the impermeability of their plastic tanks.

6. ROUTES TO MARKET

The Company's approach to date has been to focus on commercial opportunities and development arrangements with potential commercial partners at an early stage with a sales strategy focusing on a number of distribution channels, namely:

- Early stage joint development agreements for new commercial applications;
- Direct sales of G+ materials with a focus on customised and tailor-made products offered together with technical support and consultancy;
- The future use of commercial agents with a speciality and reach in one of the Company's core target markets; and
- Licensing arrangements.

In addition, to try and raise brand awareness, the Company has agreed with its partners to date to include the G+ brand on the final commercial products. The Directors believe that this approach will serve to create a strong brand awareness of the Company's graphene products.



Given the Company's size, the Directors believe that joint ventures will prove an important part in expanding the Company's pipeline of opportunities. Such joint ventures will be used for the marketing and distribution of products and the potential development of new commercial applications developed with partners. The control of Directa Plus' know-how and IP and all graphene production will remain within the control of the Group. The Company has already established a joint venture in Asia with Vittoria to explore opportunities to sell graphene based products into the Asian market. Vittoria has had a presence in Thailand for over 20 years and has an established sales and marketing presence in the region and therefore the Directors believe that this will enable them to open up potential opportunities that would not necessarily be available to the Company given its size and current lack of presence in the region.

7. INTELLECTUAL PROPERTY

The Group looks to protect its process and graphene technology through a combination of patents, know-how and the knowledge and skills of its employees.

The Group's primary intellectual property is a portfolio of 12 granted patents with 9 pending which relate to the Group's G+ technology, including:

- *Development of an advanced process for the production of individual graphenes provided as graphene layers, starting from graphite flakes*

Directa Plus is the sole proprietor of a patented technology directed towards the development of an advanced process for the production of individual graphenes provided as graphene layers, starting from graphite flakes. The process comprises temperature control within a defined temperature range. The patent acknowledges the effects of rapid heating of intercalated graphite flakes in a short period of time. The heating can be achieved by following several methods, all covered by the patent. By optimising the production parameters, the structure and size of graphene products can be adjusted. Directa Plus describes various intercalant solutions in order to produce various differing intercalations. Collection and separation stages allow varying grades of produced graphene and thus, wide varieties of graphene can be produced. This granted technology is embodied in: United States of America Patent number US 7,754,184 B2 (filed in 2006 and granted on 13 July 2010); United States of America Patent number US 0,300,056 A1 (published on 8 December 2011); European Patent EP 2 038 209 B1 (claiming priority of US 11/422,914, republished on 15 August 2012) designating Germany, Switzerland, France, Italy and the United Kingdom; Canada Patent number 2,603,309 B2 (granted on 18 October 2011); China 200780021065.2 (granted on 10 December 2012).

- *Concentrated water dispersion of graphene and method for the preparation thereof*

Directa Plus is the sole proprietor of a patented technology for creating concentrated water dispersions of graphene. The patent protects concentrated dispersions of nano-particles of graphene in a liquid solution using water with a lateral size from 10 to 5000 nm and thickness from 0.34 to 30 nm. The production process comprises the dispersion in the liquid solution of flakes of expanded graphite and the subsequent treatment with ultra-sounds at an energy level of from 100 to 2000 W for a period from 1 to 100 hours. This patent is embodied in Italian patent M12013A0003334 (granted on the 19 June 2015), US patent 2015/0376014A1 (published on 31 December 2015), EP2964575 (published on 13 January 2016) and China patent 105073636 (published on 18 November 2015).

- *Continuous process for the preparation of pristine GNP's*
Directa Plus is the sole proprietor of a technology for a continuous process for preparing pristine GNP's. The process comprising the expansion of flakes of intercalated graphite and the collection thereof in water, followed by an exfoliation and size reduction treatment using ultrasonication of the aqueous dispersion or using high pressure homogenisation thereof in a high shear homogeniser. A dispersion of pristine graphene is obtained in the form of nanoplatelets which have a high electrical conductivity. This patent is embodied in PCT/EP2015/063397 (published on 23 December 2015) and Italian patent application MI2014A001123 (filed on 20 June 2014).
- *Flame retardant composition comprising GNP's*
Directa Plus is the sole proprietor of an invention being a flame retardant composition which comprises of GNP's and a condensation product of a sulfonated aromatic compound with formaldehyde. The composition may be in the form of a water dispersion applied to the surface of the article to be treated. The composition has optimal flame retardant properties even when applied in relatively modest quantities. This patent is embodied in PCT/EP2014/067035 (granted in 2013 and published on 19 February 2015) and Italian patent application MI2013A001391.
- *Process for the preparation of GNP's*
Directa Plus is the sole proprietor of a technology for a process of preparing GNP's, comprising expanding flakes of intercalated graphite which are dispersed in a medium that is subjected to exfoliation and size reduction treatment carried out by high pressure homogenisation in a high shear homogeniser. The patent is embodied in PCT/EP2015/063398 (published on 23 December 2015) and Italian patent application MI2014A001123.

The IP generated by the Group is also protected through various agreements with staff and commercial partners. The production of the Company's graphene also involves a significant degree of processing know-how. This has been developed by the Group initially through the work done to develop the manufacturing process but also through the collaboration with potential commercial partners across multiple applications. As the form of graphene required for each application is different, the Company's employees have been working closely with customers to refine its graphene to suit the particular requirements of each commercial application. This has created strong commercial and technical know-how within the Company that the Directors believe is of significant value to the Group.

8. SUPPLY

All of the Company's graphene material is derived from natural graphite. Graphite is an abundant and widespread resource and it is not affected by geopolitical issues. To date, Directa Plus has ensured that it is not bound by a single supplier as there are a number of suppliers able to provide good quality raw material. For an optimal management of the supply, regardless the location of the supplier, Directa Plus also maintains a strategic stockpile near its production plant in Lomazzo.

The first stages of the production process have been studied in such a way as to be able to use "standard" raw materials. Nevertheless the quality of G+ products strongly depends on the quality of the raw material. As such, the Company is very careful and precise in its quality control of the raw material entering the process. In the future, as the Company looks to expand into the higher value energy and electronic markets, the Directors believe that there will be a need to ensure a consistent high quality of raw material for a premium graphene product. To this end, the Directors will look to develop stronger links with graphite mines that produce premium grade graphite.

9. DIRECTA PLUS' COMPETITIVE STRENGTHS

The Directors believe that the Group has the following key strengths:

- *Scalable, modular production process*
The Group has an established production facility capable of producing up to 30 t/a of graphene-based products. The Directa Plus production process has been designed on a modular basis, which enables the generation of revenue at each stage of the production process. In addition, the modular approach

allows the Group to replicate the production process in an efficient manner so as to facilitate the scale up needed to satisfy the anticipated increased demand for Directa Plus' graphene products.

- *Chemical-free and sustainable production process*
No chemicals or solvent additives are used in the production process. In addition, the production process is environmentally friendly with no material production of waste from the process.
- *Consistency of Directa Plus' end product*
The Group's advanced proprietary production process has enabled the Group to produce a highly consistent product, something that is essential to commercial customers.
- *Established commercial sales*
Directa Plus has established commercial relationships where the end product has already been adopted. Directa Plus' graphene is already being used in the production of bicycle tyres, carbon bicycle wheels, sportswear and in tackling environmental emergencies such as oil spills.
- *IP rich with significant know how*
The Group has 12 granted patents and 9 pending patents in its core G+ technology. In addition, through the work undertaken to date, the Company has developed strong commercial and technical know-how that supplements the IP protection of the Company's production processes.
- *Multi-national approach to capturing revenue opportunities*
The Group has adopted a multi-national approach to targeting commercial opportunities. The potential use of graphene has, the Directors believe, a global audience and therefore an important strategy of the Board has been to collaborate with strong local partners to seek to open up new commercial opportunities. The first such agreement has been the joint venture with its customer Vittoria to explore commercial opportunities for graphene in Asia. With the Asian market being a potentially important source of orders for its products, Directa Plus will build its second manufacturing plant in that region.
- *Quality control*
The Company has implemented a strict quality control on the raw material used in its graphene production process with the intercalated graphite used in the process being sustained by statistical process control cards. The Company monitors and controls carbon content, metallic impurities, the stage of intercalation and crystal domain dimensions. The Company's testing process covers and monitors the different types of graphite it receives. Through these actions, the Company is able to clearly correlate the quality of the raw material to the quality of the various graphene process outputs from the Company's production process. As a result, the Company selects its suppliers according to the targeted graphene G+ features it requires, such as purity and particles morphology.

10. COMPETITION

There are many organisations involved in graphene research and production, ranging from university spin-outs and other small start-ups through to large multinational corporations. The Directors believe that the Group's competition can be split into two groups, direct and indirect.

Direct competition comes from companies working to directly supply and/or functionalise GNP's, or products incorporating GNP's, to the market. Indirect competition comes in the form of alternative competing technologies working to penetrate the market for similar commercial applications to those which the Group is focused.

Direct competitors producing GNP's include the US-based companies Angstrom Materials, Inc., Vorbeck Materials Corporation, Inc. and XG Sciences, Inc.. These three companies are involved in the commercialisation of graphene technology, using top-down production methods that rely on the exfoliation of mined graphite.

Angstrom Materials, Inc. has a facility located in Dayton, Ohio and is focused on energy storage applications of graphene. Vorbeck Materials Corporation, Inc. is a specialty materials company which manufactures and supplies graphene, primarily for the electronics industry. Vorbeck Materials Corporation, Inc. was founded in 2006 and licenses its technology from the University of Princeton. In October 2012, Vorbeck Materials Corporation, Inc. increased the production capacity of its facility located at Jessup, Maryland to 40 t/a. XG Sciences, Inc. was founded in 2006 and manufactures and sells GNP's for use in advanced materials and energy applications.

In the UK, the main competitors that the Directors are aware of are Haydale Graphene Industries plc (Haydale), Applied Graphene Materials Plc (AGM) and Thomas Swan & Co Limited. Haydale works on functionalising graphene using its HDPlas™ process and their current focus appears to be the addition of functionalised graphenes within resin and composite materials as well as graphene-based inks and coatings that can be used in smart packaging, printed batteries, electrochemical sensors, flexible displays and potentially in touch screens. AGM has developed a proprietary bottom-up process for the production of graphene and their current focus appears to be on inks and coatings as well as composites. Thomas Swan & Co Limited is working in collaboration with Trinity College Dublin to develop a top-down process to produce graphene.

The Directors believe that the Group faces indirect competition from producers of nanomaterials, particularly carbon nanotubes and multi-walled nanotubes, which in some circumstances carry similar performance properties to graphene. Known commercial-scale producers of carbon nanotubes include Arkema SA and Nanocyl NV.

Whilst there are multiple companies exploring the commercialisation of graphene, the Directors believe that the Company has a strong competitive position with a production facility that is already capable of producing consistent commercially viable graphene on a commercial scale. In addition, the Directors believe that the GNP's produced by the Group's proprietary manufacturing process have unique morphology (high lateral dimension and very low thickness) together with higher crystalline quality leading to a lower proportion of graphite and other contaminants than those derived from alternative production methods, and therefore the Directors believe that the Group's GNP's have the potential to deliver a greater improvement in material properties when added to a final product.

11. HEALTH, SAFETY AND CERTIFICATION

Considering that the effects of graphene and nanoparticles on both health and the environment has always been an important aspect of the Group's production process with Directa Plus adopting a proactive approach to minimising direct exposure to nanomaterial products during the production process and to reduce any possible environmental impact. During the whole G+ process strict safety measures and procedures are adopted to try to avoid potential health and safety risks.

The Board believes that Directa Plus is the first manufacturer of graphene-based products to conduct and promote extensive research on the impact of nanomaterials on human health and in the workplace, and is a leading advocate in the adoption of stringent safety procedures.

Directa Plus was a key participant in the MULAN program (MULTilevel Approach to the study of Nanomaterials Health and Safety), between October 2013 and February 2016. Founded by the Fondazione Cariplo, it was a collaboration between four Italian universities (University of Milan, University of Pavia, University of Milan-Bicocca and Insubria University) and the Fondazione Don Gnocchi Onlus. Pursuant the MULAN program, Directa Plus evaluated the following parameters:

- Concentration of nanoparticles in environments (outdoor and indoor) and in occupational settings;
- Exposure to nanoparticles of people working with nanomaterials;
- Toxicity of G+ products on cells.

Most importantly for Directa Plus, the program concluded that the occupational exposures in Directa Plus are well below any reference value because the production process is meticulously maintained in line with engineering controls.

Directa Plus will continue to collaborate with the MULAN project team and, as the Company's production activity increases, will enforce the monitoring of the particulate levels.

In addition to the MULAN Project, that the Directors believe that Directa Plus is the first graphene company to have conducted, and published the results of a series of toxicology screening tests. These were undertaken by Farcoderm Srl to independently certify the non-toxicity and non-cytotoxicity of Directa Plus' products. For the categories listed below, Directa Plus has received certifications for both its Basic G+/Grafysorber® and Pure G+ products.

The results of this analysis, which were performed in accordance with in vitro international standard methods such as OECD Guidelines and INVITTOX protocols are publicly available and it was found that none of the G+ products and none of the powder deriving from the production process resulted in any toxic, cytotoxic (no toxic effect on cells) or corrosion, at any tested concentration.

The Directors are also pleased that the Company was recently granted ISO 9001:2015 Certification (Quality management) for "the production and commercialisation of positive GNP's and graphene based products of different morphologies and for the research and development of different industrial applications with graphene inside and for the development of the institutional production process of graphene".

12. STAFF

The Directors believe the ability to retain and motivate staff is fundamentally important to the future of the Group and this will be aided by the Company's ability to offer share incentives to employees following Admission.

Incorporation will enable a wider set of employees, potentially much earlier in their careers, to gain equity ownership while also aligning employees' day-to-day activities with their long-term capital value in Directa Plus. The Directors believe that incorporation also creates a more flexible career structure, with partnership, and all that entails, no longer being the only route to long-term returns.

13. CURRENT TRADING AND PROSPECTS

To date Directa Plus has signed over 350 non-disclosure agreements and over 50 per cent. of these are currently testing Directa Plus' products in a variety of different products. The Company has continued the commercial progress made in 2015 and is currently supplying 6 customers under existing agreements and in the year to date, the Group has already produced, and received orders to produce, graphene in excess of the 1.3 tonnes of graphene produced and sold in 2015.

The relationship with Vittoria is progressing well and the bicycle industry's reaction for the graphene enhanced tyres has exceeded initial internal expectations. The Directors believe that a number of professional cycling teams will start using the tyres during 2016, including individual athletes and national teams who are preparing to use them at the Rio Olympic Games. The Directors believe that this endorsement should be beneficial to the general perception of Vittoria's graphene enhanced tyres. In addition, the Company is working with Vittoria to explore the use of graphene in tyres for the expanding electrical bicycle market.

In the textile market, the launch of the Colmar range of clothing has generated strong industry interest and the Company is in discussions with other textile producers to consider how to incorporate graphene into their products across a range of differing fabrics. In the environmental sector, the Company is progressing with discussions for the sale of further decontamination units and is confident that it will deliver at least one such sale in the current financial year. In addition, the attributes of the Company's Grafysorber® product has attracted the interest of a multi-national integrated oil and gas company. Initial tests of the product undertaken by this potential customer in both the laboratory and in the field have yielded positive results and the Company is in discussions around a potential joint development agreement to explore the use of Directa Plus' Grafysorber® in remedial and emergency situations.

The Company has also been attracting interest from large multi-national companies based in Asia around the application of Directa Plus' graphene in additional commercial applications and the Company is in discussions with a third party to potentially extend the breadth of the existing joint venture arrangement with Vittoria to explore a wider sphere of commercial opportunities within the Far East markets.

Overall, the Directors are very pleased with the continued progress being shown by the Company and the increasing level of engagement and interest from potential customers. The Directors are therefore confident about the outlook for the Company and believe that it is very well positioned to capture the significant market opportunity that they believe exists for its patented graphene product.

14. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Sir Peter Middleton, aged 82, Non-Executive Chairman

Sir Peter Middleton GCB, is Chairman of Burford Capital, the Resort Group and Hamilton Ventures. He was Chairman of Marsh Ltd between 2005 and 2013, UK Chairman of Marsh & McLennan Companies between 2007 and 2014 and Chairman of Mercer Ltd between 2009 and 2014. He was also previously Chairman of Camelot Group plc and Chairman of the Centre for Effective Dispute Resolution. He was a Director, Chairman and Deputy Chairman of United Utilities from 1994-2007, a Board member of OJSC Mobile Telesystems from 2005-2007 and a board member of Bass plc from 1992-2001 and General Accident (later CGU) from 1992-1995.

Sir Peter spent nearly 30 years at HM Treasury, working closely with nine Chancellors, and was Permanent Secretary from 1983 to 1991. Sir Peter became Group Chairman of Barclays Bank plc in April 1999 and retired in August 2004. He joined Barclays in 1991 as Group Deputy Chairman and Executive Chairman of BZW, became Chairman of Barclays Capital following the reorganisation of BZW in October 1997 and was Group Chief Executive from November 1998 until October 1999. He was also President of the British Bankers Association from 2004-2006 and a member of the National Institute for Economic Research from 1996-2007.

Giulio Cesareo, aged 60, Chief Executive Officer

Giulio Cesareo is one of the founders of Directa Plus. He began his professional career in 1982 in Italy working for Falck and Techint. From 1986 to 2004, he worked in the carbon and graphite field for Union Carbide, UCAR and Graftech, reaching the positions of the President and CEO of the Italian company and Vice President and General Manager of the Advanced Carbon and Graphite business unit. In his role at Union Carbide, Giulio managed business units in USA, France and Italy.

Giulio Cesareo was awarded a degree in Mechanical Engineering from the Polytechnic University of Milan, an MBA and an Executive MBA from Bocconi University of Milan and attended Strategic and Financial Management Programs at the Stanford University (USA). He serves as a board member of Fondazione Quarta, a non-profit organisation focussed on scientific research in areas of social activity and was also Board Member of: Centro di cultura scientifica "Alessandro Volta", an organisation aimed at promoting the practical applications of a scientific culture.

Marco Ferrari, aged 31, Chief Financial Officer

Prior to joining Directa Plus, Marco was a financial advisor at EY, involved in several M&A transactions, with a focus on energy, renewable energy and oil & gas industries. Other experience includes Deutsche Bank, Deloitte and Dezan Shira & Associates in China. Marco holds a degree in Business Administration and Master of Science in Administration Finance and Control from Università Commerciale 'Luigi Bocconi'.

David Gann, aged 55, Non-Executive Director

David Gann CBE CEng FICE FCGI is a renowned expert on technological innovation and an accomplished business and academic leader. He is Imperial College London's Vice-President (Innovation) and member of the College's Executive Board. He has deep experience mentoring start-ups, supporting fast growth technology businesses and developing long-term strategic partnerships with multinational technology corporations. He is Professor of Innovation and Technology Management with a PhD in Industrial Economics. He is a Chartered Civil Engineer, a Fellow of the Institution of Civil Engineers, an Honorary Fellow of the Royal College of Art and Fellow, City & Guilds Institute. He was appointed Commander of the Order of the British Empire (CBE) in the 2010 Queen's Birthday Honours for services to engineering, and received the 2014 Tjalling C. Koopmans Asset Award for extraordinary contributions to the economic sciences. David is a member of the London Enterprise Panel and Chairman of the Smart London Board. His industrial experience

includes serving as Laing O'Rourke plc's Group Executive for research and innovation between 2007-2011. He advises executives and boards on innovation and technology management, including Citigroup, IBM, Huawei, McLaren and Tata Group.

Neil Warner, aged 63, Non-Executive Director

Neil Warner has strong financial and managerial experience in multi-national businesses. He is currently non-executive chairman of Enteq Upstream plc and is also the senior independent director and chairman of the audit committee at Trifast plc. He is also a non-executive director of Vectura Group plc where he is chairman of the audit committee. Formerly he served as Finance Director at Chloride Group plc, a position he held for 14 years until its acquisition by Emerson Electric. Prior to this, Neil spent six years at Exel plc (formerly Ocean Group plc and now part of DHL following its acquisition by Deutsche Post in December 2005) where he held a number of senior posts in financial planning, treasury and control. He has also held senior positions in Balfour Beatty plc (formerly BICC Group plc), Alcoa and PricewaterhouseCoopers and was non-executive director of Dechra Pharmaceuticals plc where he was the senior independent director and Chair of the Audit Committee.

Luca Lodi-Rizzini, aged 43, Non-Executive Director

Luca Lodi-Rizzini is both Head of Institutional Equity Derivatives Sales and Head of Delta One Sales for Europe at Credit Suisse, which is one of the leading firms in the market for Delta One products. Having joined Credit Suisse in 2004, Luca was previously a Senior Equities Portfolio Manager at Eurizon Capital.

Elizabeth Robinson, aged 59, Non-Executive Director

Dr. Robinson has extensive experience in the development of innovative pharmaceutical products and venture business. She is Investment Director of Quadrivio Capital SGR for Venture Capital Area, member of "Italian Angels for Growth" in Italy and also member of the Italian Fulbright Commission. She is co-founder of NicOx, a leading company in ophthalmic market, founded in 1996 and listed in 1999, and she is currently President of NicOx Research Institute. She received a Masters in Chemical Engineering and a Doctorate in biotechnology from the Massachusetts Institute of Technology.

Senior Management and Employees

The Group currently has 21 staff, including the executive directors. Short biographies of senior management are set out below.

Razvan Popescu, Chief Operating Officer

Razvan Popescu obtained a Master of Science in Inorganic Chemistry at University Politehnica of Bucharest. He has over 15 years of technical and strategic leadership experience in Industry. Until 2013, he worked for Bozzetto Group, a specialty chemical manufacturer, where he was Business Unit Manager and President of the American Branch. More recently, he was President of ISPH S.A. and Managing Director of Marexin BV. Razvan brings experience in international business development and industry innovation.

Laura Rizzi Phd, Research and Development Manager

Dr. Laura Rizzi obtained a Master's Degree in Physics Engineering in 2009 and also a PhD in Physics in 2012 from Politecnico di Milano, funded by Directa Plus. Her PhD activity has been entirely devoted to graphene research activities: the development of graphene-based devices within Politecnico di Milano and GNP's large-scale production and characterisation within Directa Plus. Dr. Rizzi is Research and Development Manager responsible for activities related to Directa's G+ process, product and applications development.

Tiziana Sarto, Sales Manager

Tiziana obtained a Master's degree in International Relations and European Integration, with a thesis on Advanced Economics, at Milan Catholic University in 2009 and, in 2010, a Master's degree in Marketing and Communication at Sole 24 Business School. Before joining Directa Plus in April 2015, she worked for

Bureau van Dijk, one of the leading global business information providers. Tiziana is a B2B Sales & Marketing specialist, with strong communication skills in Italian, English and French, and a client-centred philosophy.

15. CONVERTIBLE LOANS

As at the date of this document the Company had approximately €5.98 million of convertible loans outstanding (including accrued interest). Pursuant to the terms of the Convertible Loan Agreements, each Lender had the option to convert their loans into Ordinary Shares on an IPO (together with any accrued interest). The Company has received confirmation from Lenders representing approximately 85.4 per cent. of the outstanding loans that they will convert their loans into Ordinary Shares and accordingly 7,055,493 Ordinary Shares (representing 15.96 per cent. of the Enlarged Share Capital) will be issued to such Lenders.

The outstanding balance of €837,768 of the Convertible Loans (including accrued interest) will be repaid on Admission using part of the proceeds of the Placing.

16. THE PLACING

The Placing is being undertaken by Cantor Fitzgerald Europe and comprises:

- The placing of 17,033,334 New Placing Shares to be issued by the Company at a price of 75 pence per Ordinary Share to raise approximately £12.8 million (before expenses); and
- The placing of 300,000 Sale Shares to be sold by the Selling Shareholder at a price of 75 pence per Ordinary Share for an aggregate amount of approximately £0.23 million. The Company will not receive any proceeds from the Sale Shares being sold by the Selling Shareholder (all of which will be paid to the Selling Shareholder after the deduction of placing commissions).

Cantor Fitzgerald Europe has entered into the Placing Agreement with the Company, the Directors and the Selling Shareholder. Under the Placing Agreement, Cantor Fitzgerald Europe has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the New Placing Shares at the Placing Price and, as agent for the Selling Shareholder, to use reasonable endeavours to procure purchasers of the Sale Shares at the Placing Price.

The Placing of the Placing Shares will be allotted in two separate tranches over two Business Days to assist investors in the First Tranche Placing Shares to claim certain tax reliefs available to EIS and VCT investors.

It is intended that the Company will issue the First Tranche Placing Shares to the persons nominated to the Company in accordance with the Placing Agreement with effect from no later than 10.30 a.m. on 26 May 2016, being one Business Day prior to Admission. The issue of the First Tranche Placing Shares will not be conditional on Admission. It is intended that the Company will issue the Second Tranche Placing Shares and the Selling Shareholder will sell the Sale Shares in accordance with the Placing Agreement with effect from no later than 8.00 a.m. on 27 May 2016. The issue of the Second Tranche Shares and the Placing of the Sale Shares will be conditional on Admission.

Investors should be aware of the possibility that the First Tranche Placing Shares might be issued or sold and that none of the remaining Second Tranche Shares are issued or sold. Investors should also be aware that Admission might not take place. Consequently, even if the First Tranche Placing Shares have been issued there is no guarantee that the placing of the Second Tranche Shares will become unconditional. The working capital statement set out in paragraph 18 of Part V of this document assumes that all of the New Placing Shares are issued and that Admission takes place. If all of the New Placing Shares are not issued and Admission does not take place the Company may not be able to implement the strategy and growth plans as outlined in this document.

EIS and VCT investors should be aware that, whilst advance assurance has been obtained from HMRC, the Directors cannot guarantee that the First Tranche Placing Shares will be able to be treated as qualifying for relief under the EIS Scheme under Part 5 of the Income Tax Act 2007 or as qualifying holdings under the VCT scheme within the meaning of Part 6 of the Income Tax Act 2007. The Placing, which is not underwritten and, other than in respect of the First Tranche Placing Shares, is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects and not being terminated by 8.00 a.m. on 27 May 2016 or such later date (being no later than 17 June 2016) as the Company and Cantor Fitzgerald Europe may agree. The New Placing Shares will be issued credited as fully

paid and the Sale Shares are credited as fully paid. On Admission, the New Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission.

The New Placing Shares to be issued by the Company pursuant to the Placing will represent approximately 38.53 per cent. of the Enlarged Share Capital. On Admission the Company will have a market capitalisation of approximately £33.16 million at the Placing Price.

Further details of the Placing Agreement are set out in paragraph 14 of Part V of this document.

17. REASONS FOR THE PLACING AND ADMISSION AND USE OF PROCEEDS

The Directors consider that Admission will be an important step in the Company's development, will enhance its profile and standing within its market place and assist the continued growth of the business. Pursuant to the Placing, the Company will raise approximately £11 million (net of expenses) through the placing of the New Placing Shares.

The net proceeds of the Placing receivable by the Company will be used primarily to:

- support the on-going development of G+ applications with customers – the Directors will deploy part of the proceeds towards the ongoing development of its core technology to open up new commercial opportunities and applications for the Group's graphene, including the ability to produce pristine single layer GNP's in volume;
- increase manufacturing capacity and production volumes – additional investment is to be made to expand production capacity at its existing plant in Italy. The Company will also use part of the funds raised on establishing a production plant in Thailand to serve the fast growing Far East markets. By the end of 2017 there is expected to be sufficient plasma super-expansion capacity to process 80 t/a of 3D material including exfoliation and drying capacity for the production of 44 t/a of 2D material;
- investment in joint venture arrangements – a key part of management's strategy is the positioning of the business higher up the value chain. To this end, the Company intends to participate in joint venture distribution and marketing arrangements to extend its reach;
- fund general working capital requirements – the company will use part of the proceeds to enable the Company to capitalise on the pipeline of opportunities that it is currently working on and to fund the continued ongoing growth of the Company; and
- repay approximately €837,768 of the Company's outstanding Convertible Loans (including accrued interest) that have not elected to convert into Ordinary Shares and are therefore due to be repaid on Admission.

Admission will also provide the Group with the ability to incentivise employees, which will be important to the Company as it looks to continue to attract, retain and motivate high calibre employees.

18. ADMISSION, SETTLEMENT AND CREST

On Admission, the Enlarged Share Capital will be 44,212,827 Ordinary Shares comprising 20,124,000 Existing Ordinary Shares, 7,055,493 Loan Conversion Shares and 17,033,334 New Placing Shares.

Application has been made to the London Stock Exchange for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings in the Enlarged Share Capital will commence, at 8.00 a.m. on 27 May 2016.

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

19. CORPORATE GOVERNANCE AND BOARD PRACTICES

The Board fully supports the underlying principles of corporate governance contained in the Corporate Governance Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Corporate Governance Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") with formally delegated rules and responsibilities. Each of these committees will meet at least three times each year.

The Audit Committee will comprise Neil Warner, Luca Lodi-Rizzini and David Gann; chaired by Luca Lodi-Rizzini. The Audit Committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

The Remuneration Committee will comprise Neil Warner, Luca Lodi-Rizzini and David Gann; chaired by Neil Warner. The Remuneration Committee will review and make recommendations in respect of the Directors' remuneration and benefits packages and that of senior employees, including share options and the terms of their appointment. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees under the Employee Share Scheme.

20. SHARE DEALING CODE

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

21. LOCK-IN AND ORDERLY MARKET AGREEMENTS

Certain existing Shareholders (namely the Shareholder Locked-in Parties), who on Admission will be the holders of 12,736,240 Ordinary Shares in aggregate, representing 28.81 per cent. of the Enlarged Share Capital, have (pursuant to the Shareholder Lock-in Agreement) undertaken to the Company and Cantor Fitzgerald Europe, not to dispose of any interests in Ordinary Shares for a period of six months from Admission and for a further six months thereafter (subject to certain limited conditions) to deal in their Ordinary Shares only through Cantor Fitzgerald Europe, for so long as it is broker to the Company, with regard to maintaining an orderly market.

Giulio Cesareo, the Company CEO and his controlled entity, Galbiga Immobiliare S.r.l. ("Galbiga"), have (pursuant to the Galbiga/Cesareo Lock-in Agreement) also entered into lock-in arrangements in respect of the 3,056,480 Ordinary Shares held by Galbiga upon Admission representing, in aggregate, 6.91 per cent. of the Enlarged Share Capital pursuant to which they have agreed not to dispose of any interests in Ordinary Shares for a period of 12 months from Admission and for a further 6 months thereafter (subject to certain limited conditions) to deal in their Ordinary Shares only through Cantor Fitzgerald Europe, for so long as it is broker to the Company, with regard to maintaining an orderly market.

In addition Sir Peter Middleton, Marco Ferrari, Neil Warner, David Gann and Luca Lodi-Rizzini (namely the Director Locked-in Parties) who on Admission will hold, in aggregate 73,333 Ordinary Shares, representing in aggregate 0.17 per cent. of the Enlarged Share Capital, have pursuant to the terms of the Director Lock-in Agreement undertaken to the Company and Cantor Fitzgerald Europe, not to dispose of any interests in Ordinary Shares for a period of six months from Admission and for a further six months thereafter (subject

to certain limited conditions) to deal in their Ordinary Shares only through Cantor Fitzgerald Europe, for so long as it is broker to the Company, with regard to the maintaining an orderly market.

In addition, pursuant to terms of the Convertible Loan Agreements, 4,568,451 Ordinary Shares issued following the conversion of Convertible Loans into Ordinary Shares at Admission will have lock-in arrangements in place under which these Ordinary Shares will not be disposed of for a period of six months from Admission and for a further six months thereafter (subject to certain limited exceptions) will only be dealt with through the Company's broker (Cantor Fitzgerald Europe), with regard to maintaining an orderly market. The balance of 2,487,042 Ordinary Shares issued following the conversion of Convertible Loans will have orderly market arrangements that for 12 months following Admission (subject to certain limited exceptions) such Ordinary Shares will only be dealt with through the Company's broker.

Therefore, on Admission, in aggregate 22,921,546 Ordinary Shares will be subject to lock-in and orderly market agreements.

Further details of the Shareholder Lock-in Agreement, the Director Lock-in Agreement, the Galbiga/Cesareo Lock-in Agreement and the Convertible Loan Agreements are set out in Part V of this document.

22. DIVIDEND POLICY

The Company intends to pay dividends on the Ordinary Shares having regard to a prudent retention of funds in the Group to cover working capital and fund growth opportunities. The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount of any such future dividends will depend on the results of the Group's operations, its financial condition, cash requirements and other factors deemed to be relevant at the time. The Directors do not envisage that the Company will pay dividends in the foreseeable future and intend to re-invest surplus funds in the development of the Group's business.

23. SHARE SCHEMES

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and will establish appropriate Share Schemes, further details of which are set out in paragraph 13 of Part V of this document.

Rights under the Share Schemes will be granted to certain of the Directors and staff on or around the time of Admission. Directors and employees may be granted further awards under the Share Schemes in the future at the discretion of the Remuneration Committee.

Awards granted under the Share Schemes will be limited to 10 per cent. of the Company's issued share capital from time to time.

24. TAXATION

Information regarding taxation is set out in paragraph 17 of Part V of this document.

These details are intended only as a general guide to the current tax position under UK taxation law and practice. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK and Italy are strongly advised to consult their own independent financial adviser immediately.

25. EIS AND VCT

The Company has received advance assurance from HMRC that the First Tranche Placing Shares to be issued pursuant to the Placing will rank as "eligible shares" for the purposes of EIS and are capable of being a "qualifying holding" for the purposes of investment by VCTs. However, neither the Company nor the Directors nor any of the Company's advisers give any warranties or undertakings that such reliefs will continue to be available and not withdrawn at a later date. Further information on taxation for UK taxpayers is given in paragraph 17 of Part V of this Document.

26. APPLICATION OF THE TAKEOVER CODE

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

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

Further information on the City Code is set out in paragraph 7 of Part V of this document.

27. FURTHER INFORMATION

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

PART II

RISK FACTORS

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

In addition to the usual risks associated with an investment in a company, the Directors believe that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

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

1. Risk Factors Relating to the Business and Operations of the Group

Commercialisation

The success of the Group will depend on the market's acceptance of, and attribution of value to, the plasma super expansion technology developed by the Group based on converting principally raw, mined graphite and other specially treated natural graphite into high quality graphene.

There can be no guarantee that this acceptance will continue to be forthcoming, that an acceptable level of commercial orders will be received or that the Group's graphene products will succeed as an alternative to other new products from both other producers of graphene and producers of nanomaterials.

The development of new markets for the Group's products is affected by many factors, some of which are beyond its control, including the emergence of newer, more successful graphene technologies and products. Notwithstanding the technical merits of the products developed by the Group, there can be no guarantee that its targeted customer base for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its products and may never achieve profitability. In addition, the Directors cannot guarantee the Group will continue to develop, manufacture or market its products if market conditions do not support the continuation of such products.

Early stage of operations

Whilst the Group has sold product, the business remains at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies. In particular, the Group's future growth and prospects will depend on its ability to continue to develop products with commercial partners for applications which have sufficient commercial appeal, to manage growth and to

continue to improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations. There can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

Commercial Relationships

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on the Group's graphene technology. The Group's principal route to market is expected to be through ongoing product development partnerships with market-leading companies in particular applications leading to material supply agreements.

The Group's long-term success will depend both on its ability to progress from its existing collaborations to material sales and on its negotiation of appropriate terms for any future supply agreements. Furthermore, the Group's negotiating position in agreeing terms of either joint development or supply may be affected by its size and limited cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to reduced payments and/or delays in the Group's commercialisation strategy and this may have a significant adverse effect on the Group's business, financial condition and results. In addition the Company has not to date contractually required its trading partners to purchase minimum volumes in return for exclusive arrangements in relation to a product and/or region.

The results of any research and development undertaken with a partner under any of its collaborations may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in product trials. Accordingly, there can be no assurance that any of the existing collaborations or future collaborations with the Group's partners will result in a material supply arrangement with those partners on favourable terms or at all, or that the Group will achieve any revenue, profitability or cash flow from such activities.

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

The Group will, at least in the short term following Admission, be dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material impact on the trading, financial condition and prospects of the Group.

Failure to develop joint ventures and acquired businesses

The Group has entered into a joint venture with Vittoria. The Directors expect the Group to acquire, or form joint ventures with, other companies or businesses in the future as a way of exploring new potential commercial applications for its graphene technologies. If the Group fails to successfully develop these acquired companies, businesses or joint ventures, it could impact on the Group's ability to establish themselves in new markets and/or expand their product offering. The integration of newly acquired businesses may be particularly difficult due to different business cultures in the various markets in which the Group operates or may operate in the future. Failure to successfully develop joint ventures or acquired businesses could have a material adverse effect on the Group's prospects, business, results of operation and financial condition.

Competition Risk

The Group may face significant competition from organisations which have greater capital resources than it and/or which have a product offering competitive to that of the Group, to the detriment of the Group. The graphene market contains plenty of companies with manufacturing capabilities that are producing GNP's using alternative production approaches. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate.

Risk of competing materials

There is a risk that technological advances in existing materials or in potential substitute materials may occur at a faster rate than the advances of graphene, which may impede the commercial progress of graphene. As a consequence, there could be little or no commercial demand for graphene. This would have a significant adverse effect on the Group's business.

Intellectual property protection

The continuing ability to establish, protect and enforce Directa Plus' proprietary intellectual property rights (including but not limited to patents, know-how and trade secrets) is fundamental to the Group. The intellectual property on which the Group's business is based is a combination of existing patents granted, pending patent applications and keeping proprietary know-how secret.

No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group. There may not be adequate protection for intellectual property rights in every country in which the Group's products are, or will be, made available and policing unauthorized use of proprietary information is difficult and expensive. Failure to protect the Group's intellectual property rights may result in another party copying or otherwise obtaining and using its proprietary content and technology without authorization which could have a materially adverse effect on the Group.

Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction. A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's or partners' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

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

There is a risk that certain objections which have been raised, or may be raised in the future, by patent offices in relation to the patent applications which have been filed by the Group, may prevent those patent applications from being granted. If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain. The Group would then continue to rely on the confidential know how it has developed in related, ancillary or other processes and techniques it uses, such as the techniques it has developed for the dispersion of GNP's. In addition, the Group would pursue new patent applications for such related, ancillary and other processes and techniques it has developed.

Third Party Intellectual Property

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

Risk of competitors discovering technological advances.

Graphene production is a very active area of research and development and it is expected that technological advances in graphene production will continue to occur and new technologies may develop. Advances in the process of producing graphene from either graphite or carbon-containing precursors could allow the Group's competitors to produce products faster and more efficiently and at substantially lower cost than the Group. If the Group is unable to adapt or incorporate technological advances into its operations, its production facilities could become less competitive. Further, it may be necessary for the Group to incur significant expenditure to acquire any new technology and retrofit its current processes in order to incorporate new technologies and remain competitive.

Existing capacity and proposed scaling up

Whilst the Group's existing G+ materials production capacity is approximately 30 t/a of 3D material, the Group's production facility has only been operating for less than 24 months. Although the Directors believe that the Group will be able to produce up to 30 t/a of 3D material, there is no certainty that this will be achieved. Part of the proceeds of the Placing are being used to improve the Group's production capacity by way of scaling up the existing production facility and also by building a new manufacturing plant in Thailand. Whilst the Directors are confident this increase in production can be achieved, any delay in these new production facilities being completed could have a significantly adverse effect on the growth of the Group's business and its financial position.

The Group's production is subject to operating risk

The production process is potentially exposed to the risks of fire, breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, sabotage, labour disputes, lock-outs, potential unavailability of services of its external contractors, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect the Group's operating results.

Research and development risk

The Group is engaged in the manufacture of graphene and the delivery of graphene formulations appropriate for incorporation into customer products. The Group is therefore involved in complex scientific areas and new product development and industry experience indicates a high incidence of delay or failure to generate results. There is no guarantee that the Group will be successful in its research and product development. Much of the Group's technology and intellectual property portfolio is at an early stage of development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new technology solutions or identify specific market needs that can be addressed by technology solutions developed by the Group.

Growth plans may place strain on management and operations

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

Accounting Operations

The Group currently outsources its book-keeping operations to external firms. It is the intention of the Board to build up a finance team to support the Group Chief Financial Officer and plans to hire a resource to act

as an administrative and financial controller. There is a risk that, as the accounting function is brought in-house, there is an interruption to the flow of reporting. The Board intends to run a dual monthly management accounts reporting process for at least 12 months of the handover process such that the accountants will have oversight of the accounting procedures and will continue to perform the book-keeping. It is envisaged that the Company will continue to use the services of an external bookkeeper to aid with the production of the statutory and consolidated financial statements until such time that the finance function is deemed sufficient in terms of resource and experience.

Group's future success is substantially dependent on the continued services and performance of its executive directors

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. Whilst the Group has entered into employment contracts with each of its key personnel with the aim of securing their services, the Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. The loss of the services of any of the executive Directors, members of senior management, secondees or other key employees could have a materially adverse effect upon the Group's business and results of operations. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

Health, safety and environmental risks

The Group's operations are subject to numerous health, safety and environmental (HSE) requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials. Many HSE laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Directors believe that the Group's procedures comply with applicable regulations, any failure to comply with HSE laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's results of operations and financial condition. Accidents or mishandling involving hazardous substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulator enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the Group's business could result in significant additional costs to replace, repair and insure the Group's assets, which could negatively affect the Group's business, prospects, operating results and financial condition. The Group cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced.

The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition may suffer as a result. The Group is aware that it will require a permit from the Environment Agency in respect of the commercial production of graphene. The Group will submit an appropriate application for such a permit at the appropriate time. The Directors are not aware of any reason why such permit would not be granted, however, there is no guarantee that such a permit would be granted and failure to obtain such a permit would have a significant adverse effect on the business of the Group.

Safety of handling graphene

Graphene is a relatively new material with a limited number of studies into its effects on biological systems. The Health and Safety Executive published guidance in 2013 on the use of nanomaterials in the workplace and specifically about the manufacture and manipulation of all manufactured nanomaterials, including CNTs and other biopersistent HARNs. The report stated that there was emerging evidence indicating that exposure to some kinds of nanomaterials can cause skin inflammation and fibrosis in the lungs but that there was insufficient data to confirm health consequences of long term repeated exposure and more information was required to properly understand the conditions that produce such effects. The Directors believe that the Group is acting prudently by following the Health and Safety Executive guidelines for the handling of HARNs

in its procedures for handling graphene. However, there is no guarantee that evidence will not emerge that graphene has a deleterious effect on biological systems, which may limit the potential applications of graphene, require the Group to expend additional funds on safety measures, and potentially have a materially adverse effect on the Group's business, financial position or prospects.

No certainty that the Group's insurance cover is adequate to protect against every eventuality

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

Product Liability

Some of the Group's product and pipeline product applications are designed for use in industries which are highly regulated. There is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations. Furthermore, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

Disaster Recovery

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

Expenditure required may be more than currently anticipated

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

The proceeds of the Placing are expected to be sufficient to implement the Board's strategy in the short to medium term. However, if the Group fails to generate sufficient cash through the sale of its products, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and/or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pre-emptive basis to then existing shareholders, the percentage ownership of such shareholders may be substantially diluted.

Government Grants

The Group has historically received government and European Union grants in respect of various research and development programs undertaken by the Group. Due to the product specific nature of these grants there is no guarantee that future grant funding will be awarded. To the extent that certain graphene and other nanoscale material based technologies become more mature technologies, support for such technologies by way of grants and/or tax exemptions are likely to decrease.

Counterparty risk

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

Inability to source capital equipment

The Group is reliant on being able to source the capital equipment it requires, in particular its supplier of plasma reactors, and to customise this equipment for its needs. The Group has identified and is currently working with a supplier and expects to be able to source further reactors in due course. There is no certainty that the supplier will be able to meet the Group's requirements in this regard.

2. Risk factors relating to the markets in which the group proposes to operate

Demand for graphene may not meet expectations

Although there are numerous potential applications for graphene and potentially a large global market, there is no guarantee that graphene will become a widely accepted material for use on a commercial scale and in addition it is possible that new products may supersede graphene. Even if graphene does become widely accepted, industry may be unwilling to disrupt its existing manufacturing processes or take longer to do so than anticipated and the conversion of current interest into wide scale commercial adoption may therefore either fail to materialise or take longer than anticipated. The Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance.

Impact of supply and demand of graphene on sales and pricing

Commercial applications of graphene are currently limited. The Directors believe that, at present, aggregate global manufacturing capacity for graphene exceeds aggregate demand and that this will provide the Group with potential sales opportunities for its products. Furthermore, the Directors believe that in overseas markets, demand for graphene will, in general, exceed local supplies thereby providing export opportunities for the Group. If these market assumptions are incorrect, the Group's sales targets may not be achieved.

Exposure to exchange rate fluctuations

The Group is likely to be exposed to exchange rate fluctuations. Changes in foreign currency exchange rates may affect the Group's pricing of products sold and materials purchased in foreign currencies.

The Directors will, where appropriate, consider using certain derivative financial instruments, including foreign currency forward contracts used to hedge sale commitments denominated in foreign currencies, to reduce the Group's exposure to this risk.

Exposure to economic cycle

Market conditions may affect the value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside of its control including economic and political events and trends (including the current uncertainty around the referendum in the UK on continued membership of the European Union and uncertainty in the event of a vote to leave the European Union), inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group may operate. Deterioration in the economic climate could result in a delay or cancellation of clients' projects.

Force majeure events

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

Laws and regulations

The Group is subject to the laws of the countries in which it operates or sells products. Existing and future legislation and regulation could cause additional expense, capital expenditure and restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group's activities or services.

3. Risks relating to the Ordinary Shares

Investment Risks

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

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

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous.

These factors could include the performance of the Company's business, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

General risks of investing in shares traded on AIM

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

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

AIM Rules for Companies

The AIM Rules for Companies are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Volatility of Share Price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Group, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

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

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market;

- analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Group may do business;
- foreign currency exchange fluctuations and the denominations in which the Group may conduct business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or other Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could diminish the value of the Ordinary Shares. There is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

EIS & VCT status

The Company has obtained advance assurance from HMRC that it is a qualifying company for the purposes of the EIS and the First Tranche Placing Shares issued pursuant to the Placing are expected to be capable of being a "qualifying holding" for the purposes of investment by VCTs, as described in the paragraph headed VCT and EIS in Part I of this document.

Although it is intended that the Company will be managed so that this status is obtained and continues, there is no guarantee that this will be the case. Changes in the Company's circumstances may result in such status being withdrawn, in which case investors who had participated in the Placing as an EIS or VCT investment may lose the tax benefits associated with such an investment and any tax relief that has been claimed may be reduced or withdrawn.

Despite the advance assurance from HMRC, it is unlikely that all investors who subscribe for shares and who would otherwise qualify for relief will be able to benefit from EIS or VCT qualifying status on their subscription for shares. This is because there is a limit on the number of issued shares that can fall within the reliefs due, affected by a statutory limit on the amount that can be raised within such schemes, in turn affected by previous EIS share allotments and grant(s) received. The Directors estimate approximately £4.5 million of relief being available. The Company and its advisors will have discretion regarding if and to what extent any available EIS or VCT relief will be allocated to otherwise eligible investors.

Taxation

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

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

Future capital raisings may not be successful

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

Dilution of shareholders' interests as a result of additional equity fundraising

The Group may decide to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Placing Shares. In addition, the issue of additional shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price.

Future payment of dividends

There is no current intention to pay dividends in the short to medium term, nor can there be any assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

Market Perception

Market perception of the Group may change, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise.

Sale of substantial amounts of shares, including following the expiry of the lock-up period

There can be no assurance that those Shareholders subject to the lock-in arrangements will not effect transactions upon the expiry of the lock-in or any earlier waiver of the provisions of the lock-in. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could materially adversely affect the market price of the Ordinary Shares.

If the Company's existing Shareholders were to sell, or the Company were to issue a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be materially adversely affected.

PART III
FINANCIAL INFORMATION

Section A: Accountant's Report on the historical financial information of the Group



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Directa Plus plc
18 South Street
London W1K 1DG
United Kingdom

24 May 2016

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

Dear Sirs

Directa Plus plc (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information of the Group set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 24 May 2016 of Directa Plus plc (the “Admission Document”) on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Reporting Standards as adopted by the European Union.

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

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

Basis of opinion

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

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015 and of its losses, cashflows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

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

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**Section B: Historical Financial Information of the Group
for the three years ended 31 December 2015**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December | | |
|--|------|------------------------|--------------------|--------------------|
| | | 2013 | 2014 | 2015 |
| | | € | € | € |
| Continuing operations | | | | |
| Revenue | 3 | 65,147 | 101,569 | 1,392,232 |
| Other income | 3 | 187,010 | 584,201 | 315,977 |
| Changes in inventories of finished goods and WIP | | 1,987 | 40,504 | (1,832,246) |
| Raw materials and consumables used | 4 | (77,510) | (99,695) | (342,209) |
| Employee benefits expenses | 5 | (225,556) | (344,498) | (895,769) |
| Depreciation and amortisation | 9/10 | (242,469) | (353,773) | (492,140) |
| Other expenses | 6 | (721,309) | (1,000,773) | (1,379,124) |
| Results from operating activities | | <u>(1,012,700)</u> | <u>(1,072,465)</u> | <u>(3,233,279)</u> |
| Fair value movement on embedded derivative | 18 | – | – | (706,525) |
| Finance income | 7 | 8,106 | 4,472 | 7,032 |
| Finance expenses | 7 | (12,850) | (71,819) | (434,708) |
| Net finance costs | | <u>(4,744)</u> | <u>(67,347)</u> | <u>(1,134,201)</u> |
| Loss before tax | | <u>(1,017,444)</u> | <u>(1,139,812)</u> | <u>(4,367,480)</u> |
| Tax expense | 8 | – | – | – |
| Loss after tax | | <u>(1,017,444)</u> | <u>(1,139,812)</u> | <u>(4,367,480)</u> |
| Loss from continuing operations | | <u>(1,017,444)</u> | <u>(1,139,812)</u> | <u>(4,367,480)</u> |
| Loss for the year | | <u>(1,017,444)</u> | <u>(1,139,812)</u> | <u>(4,367,480)</u> |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Defined benefit plan remeasurement gains/losses | | (590) | (2,840) | 8,563 |
| Other comprehensive income for the year (net of tax) | | <u>(590)</u> | <u>(2,840)</u> | <u>8,563</u> |
| Total comprehensive income for the year | | <u>(1,018,034)</u> | <u>(1,142,652)</u> | <u>(4,358,917)</u> |
| Loss attributable to | | | | |
| Owner of Parent | | (803,781) | (900,451) | (4,367,480) |
| Non-controlling interests | | (213,663) | (239,361) | – |
| | | <u>(1,017,444)</u> | <u>(1,139,812)</u> | <u>(4,367,480)</u> |
| Total comprehensive income attributable to | | | | |
| Owner of Parent | | (804,247) | (902,695) | (4,358,917) |
| Non-controlling interests | | (213,787) | (239,957) | – |
| | | <u>(1,018,034)</u> | <u>(1,142,652)</u> | <u>(4,358,917)</u> |
| Loss per share | | | | |
| Basic loss per share | | <u>(2.2)</u> | <u>(1.8)</u> | <u>(8.7)</u> |
| Diluted loss per share | | <u>(2.2)</u> | <u>(1.8)</u> | <u>(8.7)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December | | |
|---|------|-------------------------|-------------------------|---------------------------|
| | | 2013 € | 2014 € | 2015 € |
| Assets | | | | |
| Intangible assets | 9 | 3,076,807 | 1,498,743 | 1,819,115 |
| Property, plant and equipment | 10 | 445,372 | 973,723 | 1,224,336 |
| Other investments | 11 | – | 52 | 52 |
| Non-current assets | | <u>3,522,179</u> | <u>2,472,518</u> | <u>3,043,503</u> |
| Inventories | 14 | 2,518 | 1,976,341 | 112,903 |
| Trade and other receivables | 12 | 463,684 | 577,497 | 1,305,214 |
| Prepayments | | 2,880 | 11,680 | 35,659 |
| Cash and cash equivalent | 15 | 615,520 | 1,570,385 | 2,031,650 |
| Current assets | | <u>1,084,602</u> | <u>4,135,903</u> | <u>3,485,426</u> |
| Total assets | | <u><u>4,606,781</u></u> | <u><u>6,608,421</u></u> | <u><u>6,528,929</u></u> |
| Equity | | | | |
| Share capital | 16 | 363,202 | 503,100 | 503,100 |
| Share premium | 16 | 3,885,816 | 3,885,816 | 3,885,816 |
| Legal reserve | 16 | 566 | 566 | 566 |
| Capital reserve | 16 | (892,537) | (1,019,848) | (1,920,299) |
| Other reserve | 16 | 2 | 2 | 2 |
| Remeasurement losses/gains | 16 | (426) | (2,669) | 5,894 |
| Result for the year | 16 | (803,781) | (900,451) | (4,367,480) |
| Equity attributable to owners of the Group | | <u>2,552,842</u> | <u>2,466,516</u> | <u>(1,892,401)</u> |
| Non-controlling interests | | 1,056,330 | – | – |
| Total equity | 16 | <u><u>3,609,172</u></u> | <u><u>2,466,516</u></u> | <u><u>(1,892,401)</u></u> |
| Liabilities | | | | |
| Loans and borrowings | 17 | 279,766 | 3,213,161 | 688,821 |
| Employee benefits | 19 | 108,757 | 145,991 | 170,952 |
| Non-current liabilities | | <u>388,523</u> | <u>3,359,152</u> | <u>859,773</u> |
| Loans and borrowing | 17 | 46,243 | 276,270 | 6,082,915 |
| Embedded derivative | 18 | – | – | 706,525 |
| Trade payables | | 119,227 | 111,559 | 345,713 |
| Other payables | 20 | 232,659 | 257,822 | 176,007 |
| Accruals and deferred income | 21 | 210,957 | 137,101 | 250,397 |
| Current liabilities | | <u>609,086</u> | <u>782,752</u> | <u>7,561,557</u> |
| Total liabilities | | <u><u>997,609</u></u> | <u><u>4,141,904</u></u> | <u><u>8,421,330</u></u> |
| Total equity and liabilities | | <u><u>4,606,781</u></u> | <u><u>6,608,420</u></u> | <u><u>6,528,929</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital € | Share premium € | Legal reserve € | Capital reserve € | Other reserve € | Remeasurement gains/losses € | Result for the year € | Total attributable to equity holders of the parent € | Non-controlling interests € | Total equity € |
|--|--------------------|--------------------|--------------------|----------------------|--------------------|---------------------------------|--------------------------|---|--------------------------------|-------------------|
| Balance at 31 December 2012 | 363,202 | 3,885,816 | 566 | (561,160) | 2 | - | (331,379) | 3,357,047 | 884,972 | 4,242,019 |
| Loss reclassified | - | - | - | (331,379) | - | - | 331,379 | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | (803,781) | (803,781) | (213,663) | (1,017,444) |
| Loss for the year | - | - | - | - | - | (426) | - | (426) | (164) | (590) |
| Total other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | (426) | (803,781) | (804,207) | (213,827) | (1,018,034) |
| Contribution by non-controlling party | - | - | - | 2 | - | - | - | 2 | 385,185 | 385,187 |
| Balance at 31 December 2013 | 363,202 | 3,885,816 | 566 | (892,537) | 2 | (426) | (803,781) | 2,552,842 | 1,056,330 | 3,609,172 |
| Loss reclassified | - | - | - | (803,781) | - | - | 803,781 | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | (900,451) | (900,451) | (239,361) | (1,139,812) |
| Loss for the year | - | - | - | - | - | (2,243) | - | (2,243) | (597) | (2,840) |
| Total other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | (2,243) | (900,451) | (902,694) | (239,958) | (1,142,652) |
| Acquisition of non-controlling interests – issue of shares | 139,900 | - | - | 676,472 | - | - | - | 816,372 | (816,372) | - |
| Ordinary shares cancelled | (2) | - | - | (2) | - | - | - | (4) | - | (4) |
| Balance at 31 December 2014 | 503,100 | 3,885,816 | 566 | (1,019,848) | 2 | (2,669) | (900,451) | 2,466,516 | - | 2,466,516 |
| Loss reclassified | - | - | - | (900,451) | - | - | 900,451 | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | (4,367,480) | (4,367,480) | - | (4,367,480) |
| Loss for the year | - | - | - | - | - | 8,563 | - | 8,563 | - | 8,563 |
| Total other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 8,563 | (4,367,480) | (4,358,917) | - | (4,358,917) |
| Balance at 31 December 2015 | 503,100 | 3,885,816 | 566 | (1,920,299) | 2 | 5,894 | (4,367,480) | (1,892,401) | - | (1,892,401) |

CONSOLIDATED STATEMENT OF CASH FLOW

| | Year ended 31 December | | |
|--|------------------------|--------------------|--------------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Cash flows from operations | | | |
| Loss for the year | (1,017,444) | (1,139,812) | (4,367,480) |
| <i>Adj for:</i> | | | |
| Depreciation | 85,275 | 155,896 | 238,646 |
| Amortisation of intangible assets | 157,194 | 197,877 | 253,494 |
| Write off of inventories | – | – | 1,902,129 |
| Fair value movement on derivative | – | – | 706,525 |
| Finance income | (8,106) | (4,472) | (7,032) |
| Finance expense | 12,653 | 71,819 | 434,708 |
| | <u>(770,428)</u> | <u>(718,692)</u> | <u>(839,010)</u> |
| <i>Changes in:</i> | | | |
| – Inventories | (1,987) | (40,503) | (38,691) |
| – trade and other receivables, prepayments | (116,600) | (122,613) | (764,012) |
| – trade and other payables, deferred income/revenue | 70,826 | (57,141) | 280,305 |
| – provisions and employee benefits | 26,130 | 35,173 | 31,169 |
| | <u>(792,059)</u> | <u>(903,776)</u> | <u>(1,330,239)</u> |
| Cash generated from operations | | | |
| Interest paid | (4,549) | (21,045) | (24,500) |
| | <u>(796,608)</u> | <u>(924,821)</u> | <u>(1,354,739)</u> |
| Net cash from operating activities | | | |
| Cash flows from investing activities` | | | |
| Interest received | 2 | – | – |
| Investment in intangible assets | (36,255) | (553,187) | (573,866) |
| Proceeds from sale of property, plant and equipment | 18,629 | – | – |
| Acquisition of property, plant and equipment | (139,238) | (684,247) | (221,059) |
| | <u>(156,862)</u> | <u>(1,237,434)</u> | <u>(794,925)</u> |
| Net cash used in investing activities | | | |
| Cash flows from financing activities | | | |
| Contribution from non-controlling interests | 384,597 | – | – |
| Drawdown of financial debt | 148,239 | 3,117,120 | 2,745,011 |
| Repayment of borrowings | – | – | (134,082) |
| | <u>532,836</u> | <u>3,117,120</u> | <u>2,610,929</u> |
| Net cash from financing activities | | | |
| Net increase (decrease) in cash and cash equivalent | (420,634) | 954,865 | 461,265 |
| Cash and cash equivalent at 1 January | <u>1,036,154</u> | <u>615,520</u> | <u>1,570,385</u> |
| Cash and cash equivalent at 31 December | <u>615,520</u> | <u>1,570,385</u> | <u>2,031,650</u> |

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

(a) Statement of compliance

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial information. The accounting policies have been consistently applied by all companies of the Group.

(b) Notes concerning the first-time adoption of IAS/IFRS

This financial information, for the years ended 31 December 2013, 31 December 2014 and 31 December 2015, is the first the Directa Plus Group has prepared in accordance with IFRS. For the periods up to and including the year ended 31 December 2012, Directa Plus UK Ltd prepared financial statements in accordance with generally accepted accounting practice in the United Kingdom and Directa Plus S.P.A. prepared financial statements in accordance with generally accepted accounting practice in Italy.

Accordingly, the Directa Plus Group has prepared financial information which complies with IFRS applicable for periods ending on or after 31 December 2012, as described in the accounting policies. In preparing this financial information, the Directa Plus Group's opening statement of financial position was prepared at 1 January 2012, the Directa Plus Group's transition to IFRS. There were no adjustments required between UK GAAP and IFRS for Directa Plus UK Ltd at 31 December 2012. This note explains the principal adjustments made by Directa Plus S.P.A. in restating its Italian GAAP statement of financial position at 1 January 2012 and its affect on the Group's opening consolidated position.

| | Note | Italian GAAP 1 Jan 12 € | Re- measurement at 1 Jan 12 € | IFRS at 1 Jan 12 € |
|---|-------|-------------------------------|--|--------------------------|
| Assets | | | | |
| Intangible assets | (i) | 2,462,118 | (39,246) | 2,422,872 |
| Property, plant and equipment | | 139,002 | – | 139,002 |
| Trade and other receivables | | 35,222 | – | 35,222 |
| Deferred tax assets | (iii) | – | 10,868 | 10,868 |
| Non-current assets | | <u>2,636,342</u> | <u>(28,378)</u> | <u>2,607,964</u> |
| Trade and other receivables | | 144,335 | – | 144,335 |
| Prepayments | | 9,467 | – | 9,467 |
| Cash and cash equivalent | | 1,619,999 | – | 1,619,999 |
| Current assets | | <u>1,773,801</u> | <u>–</u> | <u>1,773,801</u> |
| Total assets | | <u>4,410,143</u> | <u>(28,378)</u> | <u>4,381,765</u> |
| Equity | | | | |
| Share capital | | 339,442 | – | 339,442 |
| Share premium | | 3,504,153 | – | 3,504,153 |
| Capital reserve | | (1,008,850) | (17,096) | (1,025,946) |
| Equity attributable to owners of the Group | | <u>2,834,745</u> | <u>(17,096)</u> | <u>2,817,649</u> |
| Non-controlling interests | | 837,204 | (5,990) | 831,214 |
| Total equity | | <u>3,671,949</u> | <u>(23,086)</u> | <u>3,648,863</u> |
| Liabilities | | | | |
| Employee benefits | (ii) | 67,077 | (5,292) | 61,785 |
| Non-current liabilities | | <u>67,077</u> | <u>(5,292)</u> | <u>61,785</u> |
| Loans and borrowing | | 2,500 | – | 2,500 |
| Trade payables | | 300,477 | – | 300,477 |
| Other payables | | 301,942 | – | 301,942 |
| Accruals and deferred income | | 66,198 | – | 66,198 |
| Current liabilities | | <u>671,117</u> | <u>–</u> | <u>671,117</u> |
| Total liabilities | | <u>738,194</u> | <u>(5,292)</u> | <u>732,902</u> |
| Total equity and liabilities | | <u>4,410,143</u> | <u>(28,378)</u> | <u>4,381,765</u> |

(i) Under Italian GAAP start-up costs are capitalised as an intangible asset. Under IFRS such costs must be charged to expenses. The adjustment above reflects this reallocation. The impact to the statement of comprehensive income is a debit of €39,246.

(ii) Under IFRS, an entity has to recognise all cumulative actuarial gains and losses for all defined benefit plans at the opening IFRS balance sheet date. The recognition under IFRS of cumulative gains resulted in a decrease in the on-balance employee benefits liability and an offsetting increase in opening equity (€5,292).

(iii) A deferred tax asset adjustment has been recognised to reflect that the tax base of the intangible assets is higher than the accounting base. This is due to start up costs being allowable for capitalisation under Italian GAAP and tax law. There were no internal development costs capitalised in 2012 as the costs did not meet the recognition criteria under IAS 38.

(c) Basis of measurement

The financial information has been prepared on the historical cost basis unless otherwise stated.

(d) Functional and presentation currency

This financial information is presented in Euro (‘€’) and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial information. The functional currency of the Company is Euro (€).

(e) Use of estimates and judgements

The preparation of financial information in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Valuation of embedded derivative – Note 18
- Valuation and recoverability of inventory – Note 14
- Impairment of assets under construction – Note 10
- Defined benefit scheme – Note 19

New standards and interpretations not yet adopted

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the Group has not early adopted.

- IFRS 9 Financial instruments (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

Amendments:

- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

Management is currently evaluating the impact of IFRS 9, 15 and 16 on the consolidated financial statements. All other standard updates have been deemed to have no impact.

2. Significant accounting policies

(a) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Directa Plus S.p.A become a 100 per cent. owned subsidiary in 2014, as Directa Plus UK Ltd acquired the remaining shares from the minority interest.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(b) Transactions eliminated on consolidation

The consolidated financial information presents the results of the Group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

(c) Foreign currency

Transactions in foreign currencies are translated to € at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to € at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between carrying value in € at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

There are no non-monetary items in a foreign currency.

(d) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payment terms that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Trade and other receivables are stated at cost less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Other financial liabilities comprise trade and other payables.

(iii) Convertible loan note

The proceeds received on issue of the Group's convertible loans are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The Group's convertible loan notes do not contain an equity component.

Derivatives embedded in host debt contracts, such as convertible loan notes, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(iv) Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- Computer equipment 20 per cent. yearly
- Industrial equipment, office equipment and installations 15 per cent. yearly

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and government grants received.

Rights acquired and development expenditure are recognised at cost.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

The G+ technology, developed until 2010 in the US, was transferred during 2011 to “Comonext” Technological Park of Lomazzo, in Italy. Directa Plus is now able to industrially produce a wide range of graphene-based materials: from super expanded graphite (BASIC G+ – family of products), to pristine graphene nanoplatelets (PURE G+ – family of products), and to ready-to-use graphene-based products, such as masterbatches and compounds (ZAPP G+) and inks (LIQUID G+), in order to satisfy the customers’ needs. Every family of products can be further engineered to obtain innovative customized materials for different applications and different existing markets.

In accordance with IAS 38, the full cost of employees directly engaged in the environment of the G+ technology, has been capitalised in the category ‘Intangible fixed assets’.

For 2013 90 per cent. of the cost of 8 employees and 50 per cent. of the cost of the CEO Mr. Cesareo has been capitalised. For 2014, 70 per cent. of the cost of 9 employees and 50 per cent. of the cost of the CEO Mr. Cesareo has been capitalised. For 2015 50 per cent. of the cost of 9 employees and 50 per cent. of the cost of the CEO Mr. Cesareo has been capitalised.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

- Software 3 years
- Patents and research and development costs concerning G+ technology, are amortised in a 10 year period, corresponding to the years of legal protection.
- Other intangible assets 5 years

(g) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (‘CGU’) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

(h) Employee benefits

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognized past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognized directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognized in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognized in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognized immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

For more information, please see note 19.

(i) Revenue

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, upon delivery of item. Revenue is recognised net of the related sales taxes.

(j) Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised in profit or loss on a systematic basis as the entity recognises as expenses the costs that the grants are intended to compensate. Where a grant has been received as a contribution for property, plant and equipment, the income received has been credited against the asset in the Statement of Financial Position.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(l) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Operating segments

The Group considers that it operates in one business area, being the manufacture and sale of graphene products.

This business area form the basis of the Group's operating segments. The Group's Managing Director (the chief operating decision maker) reviews internal management reports on a periodical basis.

Other operations relate to the Group's administrative functions conducted at its head office and by its holding company.

Information regarding the results of each reportable segment is included below.

| | <i>Year ended 31 December</i> | | |
|------------------|-------------------------------|----------------|------------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Sale of products | 65,147 | 101,569 | 1,392,232 |
| Government grant | 186,891 | 577,834 | 287,070 |
| Other income | 119 | 6,367 | 28,907 |
| Total | <u>252,157</u> | <u>685,770</u> | <u>1,708,209</u> |

Information regarding government grants:

| | <i>Year ended 31 December</i> | | |
|-----------------------------|-------------------------------|----------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Genius | 107,338 | 214,676 | 107,338 |
| MAT4BAT | 50,283 | 87,057 | 77,012 |
| Atanor | – | 265,241 | – |
| Brevetti Plus | – | – | 67,200 |
| Voucher 2014 C | – | – | 24,000 |
| Voucher 2014 F | – | – | 11,520 |
| Bando marchi Plus | 29,270 | – | – |
| Bando Ricerca e innovazione | – | 10,860 | – |
| Total | <u>186,891</u> | <u>577,834</u> | <u>287,070</u> |

There are two main clients in 2015 which account for more than 10 per cent. of revenues for sales of products or services: the first client's revenues amount to Euro 1,001,730 (72%), while the second client's revenues amount to Euro 270,000 (19%).

Government grants – key terms

| | <i>Genius</i> | <i>Mat4Bat</i> | <i>Atanor</i> |
|-------------------------------------|---------------|------------------------|---------------|
| Starting date | 2013 | 2013 | 2012 |
| Ending date | 2015 | 2017 | 2014 |
| Duration (months) | 24 | 42 | 24 |
| Total amount | 429,353 | 304,700 | 628,937 |
| Final report submitted and accepted | Yes | Project still on-going | Yes |

There are no capital commitments built into the ongoing grants.

4. Raw materials and consumables used

The amount of Euro 342,209 (2014 Euro 99,695, 2013 Euro 77,510) refers to material for production and consumption by the laboratory.

5. Employee benefits expenses

| | <i>Year ended 31 December</i> | | |
|---|-------------------------------|----------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Wages and salaries | 423,335 | 512,526 | 1,024,882 |
| Social security costs | 132,255 | 179,201 | 252,723 |
| Employee benefits | 22,623 | 30,721 | 50,465 |
| Other costs | – | – | 37,261 |
| Capitalised cost in "Intangible assets" | (352,657) | (377,950) | (469,562) |
| Total | <u>225,556</u> | <u>344,498</u> | <u>895,769</u> |

The average number of employees during each year was:

| | <i>Year ended 31 December</i> | | |
|---------------|-------------------------------|-------------|-------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| Manager | 4 | 5 | 6 |
| Office worker | 5 | 7 | 10 |
| Other | 2 | 3 | 3 |
| Total | <u>11</u> | <u>15</u> | <u>19</u> |

The Directors' emoluments are as follows:

| | <i>Year ended 31 December</i> | | |
|--------------------|-------------------------------|---------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Wages and salaries | 32,000 | 48,000 | 134,205 |
| Total | <u>32,000</u> | <u>48,000</u> | <u>134,205</u> |

6. Other expenses

Other expenses include:

| | Year ended 31 December | | |
|--|------------------------|------------------|------------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Cost of services | 323,189 | 399,593 | 820,487 |
| Technical consultancies | 108,572 | 270,400 | 258,738 |
| Compensation for professional services | 193,069 | 155,848 | 108,459 |
| Marketing | 52,540 | 80,733 | 62,736 |
| Operating lease | 24,626 | 91,573 | 124,528 |
| Other operating expenses | 19,313 | 2,626 | 4,176 |
| Total | 721,309 | 1,000,773 | 1,379,124 |

Cost of services include:

| | Year ended 31 December | | |
|------------------------------------|------------------------|----------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Industrial services | 58,632 | 57,100 | 92,610 |
| Travel and reimbursement | 60,190 | 118,549 | 122,407 |
| Accounting and legal consultancies | 45,791 | 38,182 | 127,117 |
| Administrative services | 128,320 | 125,948 | 92,057 |
| G&A expenses UK | 30,256 | 59,814 | 386,296 |
| Total | 323,189 | 399,593 | 820,487 |

Operating leases relate to the Group's plant and machinery held on leases.

Future minimum lease payments

| | 2013 | 2014 | 2015 |
|----------------------------|---------------|----------------|----------------|
| | € | € | € |
| Less than one year | 68,300 | 105,000 | 108,000 |
| Between one and five years | – | 157,500 | 54,000 |
| More than five years | – | – | – |
| Total | 68,300 | 262,500 | 162,000 |

7. Finance income and finance costs

Finance income includes:

| | Year ended 31 December | | |
|---------------------------------------|------------------------|--------------|--------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Interest income on cash balances held | 8,106 | 4,472 | 7,032 |
| Total | 8,106 | 4,472 | 7,032 |

Finance costs include:

| | <i>Year ended 31 December</i> | | |
|------------------------------------|-------------------------------|---------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Interest and other financial costs | 455 | 59,726 | 423,370 |
| Interest on financial leasing | 9,095 | 6,575 | 4,120 |
| Interest cost for benefit plan | 2,880 | 3,860 | 4,619 |
| Foreign exchange losses | 420 | 1,658 | 2,599 |
| Total | <u>12,850</u> | <u>71,819</u> | <u>434,708</u> |

Finance lease liabilities

Finance lease liabilities are payable as follows:

| | <i>As at 31 December</i> | | |
|--------------------------------------|--------------------------|---------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Future minimum lease payments | | | |
| Less than one year | 44,667 | 47,266 | 88,499 |
| Between one and five years | 90,864 | 43,598 | 223,298 |
| More than five years | – | – | – |
| Total | <u>135,531</u> | <u>90,864</u> | <u>311,797</u> |

| | <i>As at 31 December</i> | | |
|----------------------------|--------------------------|--------------|---------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Interests | | | |
| Less than one year | 6,527 | 3,929 | 18,029 |
| Between one and five years | 5,125 | 1,196 | 21,475 |
| More than five years | – | – | – |
| Total | <u>11,652</u> | <u>5,125</u> | <u>39,504</u> |

| | <i>As at 31 December</i> | | |
|--|--------------------------|---------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Present value of minimum lease payments | | | |
| Less than one year | 44,616 | 47,329 | 91,949 |
| Between one and five years | 91,085 | 43,756 | 220,008 |
| More than five years | – | – | – |
| Total | <u>135,701</u> | <u>91,085</u> | <u>311,957</u> |

In 2014 repayments were made against the existing finance facility and in 2015 a new Homogenizer lease was entered into.

8. Income tax

| | <i>Year ended 31 December</i> | | |
|-----------------------|-------------------------------|----------|----------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Current income tax | – | – | – |
| Deferred tax expenses | – | – | – |
| | <u>–</u> | <u>–</u> | <u>–</u> |

Reconciliation of tax rate

| | <i>Year ended 31 December</i> | | |
|---------------------------------|-------------------------------|-----------------|-----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Loss before tax | (1,017,444) | (1,139,812) | (4,367,480) |
| Italian statutory tax rate | 27.5% | 27.5% | 27.5% |
| | (279,797) | (313,448) | (1,201,057) |
| Impact of temporary differences | 86,786 | 81,716 | 87,300 |
| Losses recognised | (86,786) | (81,716) | (87,300) |
| Losses not utilised | 279,797 | 313,448 | 1,201,057 |
| Total tax expense | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

Tax losses carried forward which have not been recognised for deferred tax assets due to uncertainty regarding future taxable profits

| | <i>Tax losses carried forward</i> |
|------|-----------------------------------|
| | € |
| 2006 | 245,340 |
| 2007 | 245,340 |
| 2008 | 245,340 |
| 2009 | 426,419 |
| 2010 | 437,309 |
| 2011 | 533,730 |
| 2012 | 636,261 |
| 2013 | 956,108 |
| 2014 | 976,255 |
| 2015 | 828,926 |
| | <u><u>5,531,028</u></u> |

The deferred tax expense refer entirely to IAS adjustments and the losses recognised to match the recoverability of these temporary taxable differences

| | <i>Year ended 31 December</i> | | |
|-------------------------------|-------------------------------|-----------------|-----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Capitalised development costs | (81,040) | (75,076) | (87,356) |
| Other | (5,746) | (6,640) | 56 |
| Deferred tax asset – losses | 86,786 | 81,716 | 87,300 |
| | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

9. Intangible assets

| Cost | Development | | Under | | | Total |
|------------------------------|-------------|---------|----------|--------------|--------|-------------|
| | cost | Patents | Software | construction | Others | |
| | € | € | € | € | € | € |
| Balance at 31/12/2012 | 1,126,128 | 42,189 | 1,445 | 2,097,420 | 15,222 | 3,282,404 |
| Additions | 352,657 | – | – | 125,625 | – | 478,282 |
| Ded. For public grant | – | – | – | (442,027) | – | (442,027) |
| Balance at 31/12/2013 | 1,478,785 | 42,189 | 1,445 | 1,781,018 | 15,222 | 3,318,659 |
| Additions | 377,950 | – | – | 152,302 | 22,880 | 553,132 |
| Movements | – | – | – | (1,933,320) | – | (1,933,320) |
| Balance at 31/12/2014 | 1,856,735 | 42,189 | 1,445 | – | 38,102 | 1,938,471 |
| Additions | 469,562 | 54,899 | – | – | 18,214 | 542,675 |
| Movements | – | 31,191 | – | – | – | 31,191 |
| Balance at 31/12/2015 | 2,326,297 | 128,279 | 1,445 | – | 56,316 | 2,512,337 |
| <i>Amortisation</i> | | | | | | |
| Balance at 31/12/2012 | 74,114 | 4,219 | 1,172 | – | 5,152 | 84,657 |
| Amortisation 2013 | 147,879 | 4,219 | 117 | – | 4,979 | 157,194 |
| Balance at 31/12/2013 | 221,993 | 8,438 | 1,289 | – | 10,131 | 241,851 |
| Amortisation 2014 | 185,674 | 4,219 | 117 | – | 7,867 | 197,877 |
| Balance at 31/12/2014 | 407,667 | 12,657 | 1,406 | – | 17,998 | 439,728 |
| Amortisation 2015 | 232,630 | 12,828 | 39 | – | 7,997 | 253,494 |
| Balance at 31/12/2015 | 640,297 | 25,485 | 1,445 | – | 25,995 | 693,222 |
| Carrying amounts | | | | | | |
| Balance 31/12/2012 | 1,052,014 | 37,751 | 273 | 2,097,420 | 10,070 | 3,197,528 |
| Balance 31/12/2013 | 1,256,792 | 33,751 | 156 | 1,781,018 | 5,091 | 3,076,807 |
| Balance 31/12/2014 | 1,449,068 | 29,532 | 39 | – | 20,104 | 1,498,743 |
| Balance 31/12/2015 | 1,686,000 | 102,794 | – | – | 30,321 | 1,819,115 |

Intangible assets are amortised on a straight-line basis over their estimated useful lives, from the date that they are available for use. No assets have a useful life considered indefinite. Useful life is detailed as follow:

- Software – 3 years
- Patents and development costs concerning G+ technology, are amortised in a 10 year period, corresponding to the years of legal protection.
- Other intangible assets – 5 years

The development costs and the patents concern the production process called G+.

Development costs are generated internally and relate to the capitalisation of personnel costs dedicated to the development of products and processes of the G+ family. In order to reliably define the capitalisation of the expenditures related to the development phase of the industrial process, the company has duly reported the time-sheets of all the employees identifying daily the hours spent on the job.

In 2012, after the first research phase of production of graphene-based materials in a small laboratory, and considering the good results during the testing phase, it became necessary the development, design and construction of a process of engineering through a patented technology, able to produce graphene on industrial scale.

Starting from June 2012 (at the time of the first quotations for the purchase of the Sonicators) the advances in research on the testing phase made clear the technical feasibility of the industrial process of production and the intention to take this process from a testing phase to a market one. Remaining useful life of capitalized

development costs is respectively 7 years (capitalisation of 2013), 8 years (capitalisation of 2014) and 9 years (capitalisation of 2015).

In 2013 the following government grant was included in intangible assets:

POR FESR 2007-2013 (Regione Lombardia) – €442,027.

No intangible assets have been pledged as security.

10. Property, plant and equipment

| <i>Cost</i> | <i>Industrial equipment</i> | <i>Computer equipment</i> | <i>Office equipment</i> | <i>Installations</i> | <i>Total</i> |
|------------------------------|-----------------------------|---------------------------|-------------------------|----------------------|--------------|
| | € | € | € | € | € |
| Balance at 31/12/2012 | 31,035 | 17,551 | 17,874 | 409,349 | 475,809 |
| Additions | 14,443 | – | – | 124,795 | 139,238 |
| Disposals | – | (1,008) | – | (17,621) | (18,629) |
| Balance at 31/12/2013 | 45,478 | 16,543 | 17,874 | 516,523 | 596,418 |
| Additions | – | 6,488 | – | 677,759 | 684,247 |
| Balance at 31/12/2014 | 45,478 | 23,031 | 17,874 | 1,194,281 | 1,280,664 |
| Additions | 2,001 | 6,074 | 38,085 | 443,099 | 489,259 |
| Balance at 31/12/2015 | 47,479 | 29,105 | 55,959 | 1,637,380 | 1,769,923 |
| <i>Depreciation</i> | | | | | |
| Balance at 31/12/2012 | 4,832 | 7,174 | 5,949 | 47,816 | 65,771 |
| Depreciation 2013 | 5,739 | 2,367 | 1,866 | 75,303 | 85,275 |
| Balance at 31/12/2013 | 10,571 | 9,541 | 7,815 | 123,119 | 151,046 |
| Depreciation 2014 | 6,822 | 2,947 | 1,833 | 144,294 | 155,896 |
| Balance at 31/12/2014 | 17,393 | 12,488 | 9,648 | 267,413 | 306,942 |
| Depreciation 2015 | 6,972 | 4,203 | 5,156 | 222,315 | 238,646 |
| Balance at 31/12/2015 | 24,365 | 16,691 | 14,804 | 489,728 | 545,588 |
| Carrying amounts | | | | | |
| Balance 31/12/2012 | 26,203 | 10,377 | 11,925 | 361,533 | 410,038 |
| Balance 31/12/2013 | 34,907 | 7,002 | 10,059 | 393,403 | 445,372 |
| Balance 31/12/2014 | 28,085 | 10,543 | 8,226 | 926,868 | 973,722 |
| Balance 31/12/2015 | 23,114 | 12,414 | 41,155 | 1,147,652 | 1,224,336 |

11. Other investments

| | <i>As at 31 December</i> | | |
|---|--------------------------|-------------|-------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Investment in Hong Kong associate company | – | 52 | 52 |
| Total | – | 52 | 52 |

The above company was incorporated on 16 October 2014 and the first financial statements have been prepared for the period to 31 December 2015.

Data for associate:

| | As at 31 December | | |
|--|-------------------|-------------|------------------|
| | 2013 | 2014 | 2015 |
| Aggregate amount of the share in the associate | – | 49% | 49% |
| Loss from continuing operations of associate (in US\$) | – | n.a. | (109,498) |
| Total comprehensive income of the associate (in US\$) | <u>–</u> | <u>n.a.</u> | <u>(109,498)</u> |

12. Trade and other receivables

Current

| | As at 31 December | | |
|---------------------|-------------------|----------------|------------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Account receivables | 30,427 | 16,460 | 1,166,387 |
| VAT receivables | 239,792 | 269,986 | 44,770 |
| Other receivables | 193,465 | 291,051 | 94,057 |
| Total | <u>463,684</u> | <u>577,497</u> | <u>1,305,214</u> |

Other receivables refer mainly to the public grants for Euro 67,200 and an interest free loan to Directa Plus Asia Limited for Euro 22,825. The loan is unsecured and repayable on demand.

13. Deferred tax liabilities

| | As at 31 December | | |
|------------------------------|-------------------|-----------|-----------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Deferred tax liabilities | 183,011 | 263,946 | 353,600 |
| Deferred tax assets – losses | (183,011) | (263,946) | (353,600) |
| Total | <u>–</u> | <u>–</u> | <u>–</u> |

Deferred tax assets have been recognised on losses brought forward to the extent of the temporary taxable temporary differences in line with the requirements of IAS 12.

The deferred tax liabilities refer to IAS adjustments. In particular the deferred tax liabilities are detailed as follows:

| | As at 31 December | | | | | |
|-------------------------------|--------------------|-------------------|-------------------|--------------------|-------------------|------------------------|
| | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| | € | € | € | € | € | € |
| Capitalised development costs | 178,931 | 254,007 | 341,362 | | | |
| Other | 4,080 | 9,939 | 12,238 | | | |
| Total | <u>183,011</u> | <u>263,946</u> | <u>353,600</u> | | | |
| | <i>Net balance</i> | <i>Recognised</i> | <i>Recognised</i> | <i>Net balance</i> | <i>Deferred</i> | <i>Deferred</i> |
| | <i>1 Jan 2014</i> | <i>in profit</i> | <i>in other</i> | <i>31 Dec 2014</i> | <i>tax assets</i> | <i>tax liabilities</i> |
| | € | € | € | € | € | € |
| Capitalised development costs | 178,931 | 75,076 | – | 254,007 | – | 254,007 |
| Other | 4,080 | 6,641 | (782) | 9,939 | – | 9,939 |
| Total | <u>183,011</u> | <u>81,716</u> | <u>(782)</u> | <u>263,946</u> | <u>–</u> | <u>263,946</u> |

| | <i>Net balance 1 Jan 2015</i> | <i>Recognised in profit or loss</i> | <i>Recognised in other comprehensive income</i> | <i>Net balance 31 Dec 2015</i> | <i>Deferred tax assets</i> | <i>Deferred tax liabilities</i> |
|-------------------------------|-----------------------------------|---|---|------------------------------------|--------------------------------|-------------------------------------|
| Capitalised development costs | 254,007 | 87,356 | – | 341,362 | – | 341,362 |
| Other | 9,939 | (56) | 2,355 | 12,238 | – | 12,308 |
| Total | <u>263,946</u> | <u>87,300</u> | <u>2,355</u> | <u>353,600</u> | <u>–</u> | <u>353,600</u> |

14. Inventories

| | <i>31 Dec 2013</i> | <i>31 Dec 2014</i> | <i>31 Dec 2015</i> |
|------------------------------|--------------------|--------------------|--------------------|
| | € | € | € |
| Technology D+ | – | 1,933,319 | – |
| Finished products (Graphene) | – | 34,925 | 101,337 |
| Raw material | 2,518 | 8,097 | 11,566 |
| Total | <u>2,518</u> | <u>1,976,341</u> | <u>112,903</u> |

The decrease is due to the write off of the cost relating to Technology D+.

As at 31 December 2015 the directors and management made the decision to include a provision of €1.9 million against the D+ technology held in inventory since 2013. The directors and management have prudently considered that without a signed agreement to sell the asset a provision is required. The directors and management will continue to work to find a buyer and unlock the value in this asset.

15. Cash and cash equivalent

| | <i>As at 31 December</i> | | |
|---------------|--------------------------|------------------|------------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Bank balances | 614,753 | 1,569,736 | 2,030,881 |
| Cash | 767 | 649 | 769 |
| Total | <u>615,520</u> | <u>1,570,385</u> | <u>2,031,650</u> |

16. Net equity

| | <i>As at 31 December</i> | | |
|--------------------------|--------------------------|------------------|--------------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Share capital | 363,202 | 503,100 | 503,100 |
| Share premium | 3,885,816 | 3,885,816 | 3,885,816 |
| Reserves | (892,395) | (1,021,949) | (1,913,837) |
| Result for the year | (803,781) | (900,451) | (4,367,480) |
| Non-controlling interest | 1,056,330 | – | – |
| | <u>3,609,172</u> | <u>2,466,516</u> | <u>(1,892,401)</u> |

On 13 October 2014 a share swap arrangement was agreed with the non-controlling interest of Directa Plus S.P.A. Directa Plus UK issued 139,000 new €1 shares in exchange for acquiring 413,111 shares in Directa Plus S.P.A. from the non-controlling interest.

Share Capital

| | As at 31 December | | |
|--------------------------------------|-------------------|----------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Balance at the beginning of the year | 363,202 | 363,202 | 503,100 |
| Issue of ordinary shares | – | 139,900 | – |
| Ordinary shares cancelled | – | (2) | – |
| Balance at 31 December | 363,202 | 503,100 | 503,100 |

During 2014, the Group re-purchased and subsequently cancelled, 2 ordinary shares of 1 Euro each, paid at par value. The Group also issued 139,900 Ordinary Shares of 1 Euro each.

The share capital comprises 503,100 ordinary shares of the nominal value of Euro 1 each.

Reserves

| | As at 31 December | | |
|----------------------------|-------------------|--------------------|--------------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Legal reserve | 566 | 566 | 566 |
| Capital reserve | (892,537) | (1,019,848) | (1,920,299) |
| Other reserve | 2 | 2 | 2 |
| Remeasurement gains/losses | (426) | (2,669) | 5,894 |
| | (892,395) | (1,021,949) | (1,913,837) |

Share capital

Financial instruments issued by the Directa Plus Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Directa Plus Group's ordinary shares are classified as equity instruments.

Share premium

To the extent that the Company's ordinary shares are issued for a consideration greater than the nominal value of those shares (in the case of the Company, €1 per share), the excess is deemed share premium. Costs directly associated with the issuing of those shares are deducted from the share premium account, subject to local statutory guidelines.

Capital reserve

The capital reserve is the cumulative, consolidated after-tax profits less losses of the Directa Plus Group, after the elimination of inter-company sales and purchases.

Legal reserve

The legal reserve relates to Directa Plus S.P.A.. In Italy it is mandatory to create a legal reserve for 5 per cent. of net profit. There was a net profit of €11,312 in 2009 creating a legal reserve of €566.

Remeasurement gains/losses

Remeasurements of the net defined obligations relating to employee benefits are recognised directly within equity. See note 20 – employee benefits.

17. Loans and borrowings

Non-current

| | As at 31 December | | |
|-----------------------------|-------------------|------------------|----------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Debts for financial leasing | 91,085 | 43,756 | 220,008 |
| Loan | 188,681 | 3,169,405 | 468,813 |
| Total | 279,766 | 3,213,161 | 688,821 |

Loans include:

- a bank loan from Intesa SanPaolo for Euro 240,646 starting on 26 June 2014 and expiry date 26 June 2019 with an initial amount of Euro 370,000. An amount of Euro 87,410 is presented below as current loan liabilities;
- a loan from “Finlombarda” for Euro 228.167 with an initial amount of Euro 363,696, starting on 18 July 2013 and expiring on 30 June 2019. The repayment plan provides for a grace period of up to 30 June 2015. The funding is part of financial assistance concerning the “Notice of call for projects of industrial research and experimental development in the strategic sectors of the Lombardy Region and the Ministry of Education”. An amount of Euro 90,470 is presented below as current loan liabilities.

There are no securities related to the above loans.

Current

| | As at 31 December | | |
|-----------------------------|-------------------|----------------|------------------|
| | 2013 | 2014 | 2015 |
| | € | € | € |
| Debts to other lenders | 1,627 | 1,812 | 93,710 |
| Debts for financial leasing | 44,616 | 47,329 | 91,949 |
| Loan | – | 41,944 | 5,897,256 |
| Shareholder loan | – | 185,185 | – |
| Total | 46,243 | 276,270 | 6,082,915 |

The Group received two shareholder loans totalling Euro 185,185 in prior periods. They were interest free and converted into convertible loans in 2015.

Included in loans are 39 (2014: 12) convertible loans with drawdowns totalling €5,529,041 (2014: €2,450,220 presented as non-current). The convertible loans are repayable on or before 31 December 2016 and bear interest at 8 per cent. Accrued interest is payable on each anniversary of the agreements or if earlier, when the loans are payable in full. If any due payments are unpaid, interest on the unpaid amount shall accrue daily, from the date of non-payment to the date of actual payment, at 3 per cent. above the specified rate. There is a late payment date of 31 December 2017.

In the event that an exit has not occurred by 31 December 2016, the lenders may elect, by serving written notice to the borrower at least two weeks before the repayment date, to extend the loan until no later than the late payment date.

In the event of an exit prior to the repayment or late payment date, the loan can be converted into ordinary shares at the discounted rate of 25 per cent. discount per share to the sale price or the IPO price.

Convertible loans are instruments not treated as diluted for the purpose of EPS calculation. In future these could potentially be treated as diluted.

18. Embedded derivative

| | <i>As at 31 December</i> | | |
|---------------------|--------------------------|-------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Embedded derivative | – | – | 706,525 |
| Total | <u>–</u> | <u>–</u> | <u>706,525</u> |

The embedded derivative relates to the conversion option contained in the convertible loan notes disclosed in note 18. The loan note holders have an option to convert at a 25 per cent. discount to the IPO listing price. This breaks the fixed for fixed conversion under IAS 39 and has therefore been fair valued as an embedded derivative. The key variable contained in the fair valuation is the probability that the IPO will occur and the conversion option becomes exercisable. This is deemed to be a key judgement applied by Management and is described below.

On inception at the end of 31 December 2014 and the beginning of 2015 when the loan notes were drawn down the fair value of the embedded derivative is deemed to be nil, as at this stage the Company had not confirmed the IPO strategy and not steps had been taken to start the IPO process. Therefore the chance of success is deemed to be remote.

As at 31 December 2015 Management has reassessed the fair value of the embedded derivative. The factors that they have considered are as follows:

- A decision to undertake an AIM listing had been agreed but the Company was only at the start of the process in appointing advisors and initiating listing activity;
- No marketing activity had commenced;
- Average success rates for companies listing on the AIM market and the wider current IPO activity;
- Macro-economic factors which impact upon any IPO success.

Management has applied a probability factor that reflects the above criteria. Management notes that as at 31 December 2015 if the probability factor was to increase or decrease by 10 per cent. then the impact upon the embedded derivative liability and profit or loss for the period would be +/- €200,000.

19. Employee benefits

| | <i>As at 31 December</i> | | |
|-------------------|--------------------------|----------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Employee benefits | 108,757 | 145,991 | 170,952 |
| Total | <u>108,757</u> | <u>145,991</u> | <u>170,952</u> |

Provisions for benefits upon termination of employment primarily related to a provisions accrued by Italian companies for employee retirement, determined using actuarial techniques and regulated by Article 2120 of the Italian Civil code. The benefit is paid upon retirement as a lump sum, the amount of which corresponds to the total of the provisions accrued during the employees' service period based on payroll costs as revalued until retirement. Following the changes in the law regime, from 1 January 2007 accruing benefits have been contributing to a pension fund or a treasury fund held by the Italian administration for post-retirement benefits (INPS). For companies with less than 50 employees it will be possible to continue this scheme as in previous years. Therefore, contributions of future TFR provisions to pension funds or the INPS treasury fund determines that these amounts will be treated in accordance to a defined contribution scheme, not subject to actuarial evaluation. Amounts already accrued before 1 January 2007 continue to be accounted for a defined benefits to be assessed on actuarial assumptions.

The breakdown for 2013, 2014 and 2015 is as follows:

| | € |
|-----------------------------------|-----------------------|
| Amount at 31 December 2012 | <u>82,627</u> |
| Service cost | 22,436 |
| Interest cost | 2,880 |
| Actuarial gain/losses | 814 |
| Past service cost | – |
| Benefit paid | – |
| Amount at 31 December 2013 | <u>108,757</u> |
| Service cost | 30,534 |
| Interest cost | 3,860 |
| Actuarial gain/losses | 2,840 |
| Past service cost | – |
| Benefit paid | – |
| Amount at 31 December 2014 | <u>145,991</u> |
| Service cost | 32,092 |
| Interest cost | 4,619 |
| Actuarial gain/losses | (8,563) |
| Past service cost | – |
| Benefit paid | (3,187) |
| Amount at 31 December 2015 | <u><u>170,952</u></u> |

Variables analysis

Detailed below are the key variables applied in the valuation of the defined benefit plan liabilities.

| | <i>As at 31 December</i> | | |
|---------------------------|--------------------------|--------|--------|
| | 2013 | 2014 | 2015 |
| Annual interest rate | 3.00% | 3.00% | 3.00% |
| Annual inflation rate | 1.30% | 1.30% | 1.30% |
| Annual increase TFR | 7.41% | 7.41% | 7.41% |
| Tax on revaluation | 17.00% | 17.00% | 17.00% |
| Social contribution | 0.50% | 0.50% | 0.50% |
| Increase salary – male | 1.50% | 1.50% | 1.50% |
| Increase salary – female | 1.40% | 1.40% | 1.40% |
| Rate of turnover – male | 1.70% | 1.70% | 1.70% |
| Rate of turnover – female | 1.50% | 1.50% | 1.50% |

Sensitivity analysis

Detailed below are tables showing the impact of movements on key variables:

| | | <i>Decrease 10% Variation</i> | | <i>Increase 10% Variation</i> | |
|------------------------------------|--------|-----------------------------------|------------|-----------------------------------|------------|
| | | <i>Rate</i> | <i>DBO</i> | <i>Rate</i> | <i>DBO</i> |
| <i>Actuarial hypothesis – 2015</i> | | | | | |
| Increase salary | Male | 1.35% | | 1.65% | |
| | Female | 1.26% | (1,599) | 1.54% | 1,645 |
| Turnover | Male | 1.53% | | 1.87% | |
| | Female | 1.35% | (1,475) | 1.65% | 1,434 |
| Interest rate | | 2.70% | 6,135 | 3.30% | (5,749) |
| Inflation rate | | 1.17% | (1,613) | 1.43% | 1,640 |

| | | <i>Decrease 10% Variation</i> | | <i>Increase 10% Variation</i> | |
|------------------------------------|--------|-----------------------------------|------------|-----------------------------------|------------|
| | | <i>Rate</i> | <i>DBO</i> | <i>Rate</i> | <i>DBO</i> |
| <i>Actuarial hypothesis – 2014</i> | | | | | |
| Increase salary | Male | 1.35% | | 1.65% | |
| | Female | 1.13% | (1,261) | 1.38% | 1,294 |
| Turnover | Male | 1.58% | | 1.93% | |
| | Female | 1.35% | (1,001) | 1.65% | 974 |
| Interest rate | | 2.70% | 4,644 | 3.30% | (4,385) |
| Inflation rate | | 1.17% | (860) | 1.10% | 869 |

| | | <i>Decrease 10% Variation</i> | | <i>Increase 10% Variation</i> | |
|------------------------------------|--------|-----------------------------------|------------|-----------------------------------|------------|
| | | <i>Rate</i> | <i>DBO</i> | <i>Rate</i> | <i>DBO</i> |
| <i>Actuarial hypothesis – 2013</i> | | | | | |
| Increase salary | Male | 1.35% | | 1.65% | |
| | Female | 1.13% | (811) | 1.38% | 830 |
| Turnover | Male | 1.58% | | 1.93% | |
| | Female | 1.35% | (607) | 1.65% | 592 |
| Interest rate | | 2.70% | 3,267 | 3.30% | (3,106) |
| Inflation rate | | 0.90% | (638) | 1.10% | 644 |

20. Other payables

| | <i>As at 31 December</i> | | |
|-----------------------------------|--------------------------|----------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Tax payable | 26,459 | 30,704 | 96,975 |
| Social security contribution | 36,202 | 38,175 | – |
| Advances | 150,000 | 150,000 | – |
| Other payables | 19,998 | 38,943 | 78,980 |
| Unpaid share capital Directa Asia | – | – | 52 |
| Total | <u>232,659</u> | <u>257,822</u> | <u>176,007</u> |

21. Deferred income/revenue

| | <i>As at 31 December</i> | | |
|--------------------------------------|--------------------------|----------------|----------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € |
| Accrued liabilities for labour costs | 86,700 | 114,829 | 126,934 |
| Deferred income for public grant | 118,457 | 9,932 | 44,643 |
| Other accrued liabilities | 5,800 | 12,340 | 78,820 |
| Total | <u>210,957</u> | <u>137,101</u> | <u>250,397</u> |

22. Financial instruments

Financial risk management

The Group's operations expose it to a variety of financial risks that include liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterpart to a financial instruments fails to meet its contractual obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

Group

| | Note | As at 31 December | | |
|-----------------------------|------|-------------------|------------------|------------------|
| | | 2013 € | 2014 € | 2015 € |
| Trade and other receivables | 13 | 463,684 | 577,497 | 1,305,214 |
| Cash and cash equivalent | 17 | 615,520 | 1,570,385 | 2,031,650 |
| Total | | <u>1,079,204</u> | <u>2,147,882</u> | <u>3,336,864</u> |

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The management review its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The liquidity is ensured by the contribution from the parent company Directa Plus UK Ltd.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

| 31 December 2015 | Contractual cash flows | | |
|------------------------------|-------------------------|-------------------|----------------|
| | Carrying amount € | Up to 1 year € | 1-5 years € |
| Financial liabilities | | | |
| Trade payables | 345,715 | 345,715 | – |
| Debts for financial leasing | 311,957 | 106,528 | 224,773 |
| Debts to other lenders | 93,710 | 93,710 | – |
| Embedded derivative | 706,525 | 706,525 | – |
| Loans | 6,366,069 | 6,357,350 | 489,134 |
| Total | <u>7,823,976</u> | <u>7,609,828</u> | <u>713,907</u> |

| 31 December 2014 | Contractual cash flows | | |
|------------------------------|------------------------|-------------------|------------------|
| | Carrying amount € | Up to 1 year € | 1-5 years € |
| Financial liabilities | | | |
| Trade payables | 111,560 | 111,560 | – |
| Debts for financial leasing | 91,085 | 51,195 | 44,794 |
| Debts to other lenders | 1,812 | 1,812 | – |
| Loans | 3,211,349 | 59,053 | 3,410,519 |
| Shareholder loan | 185,185 | 185,185 | – |
| Total | 3,600,992 | 408,805 | 3,455,313 |

| 31 December 2013 | Contractual cash flows | | |
|------------------------------|------------------------|-------------------|----------------|
| | Carrying amount € | Up to 1 year € | 1-5 years € |
| Financial liabilities | | | |
| Trade payables | 119,227 | 119,227 | – |
| Debts for financial leasing | 135,701 | 51,194 | 95,989 |
| Debts to other lenders | 1,627 | 1,627 | – |
| Loans | 188,681 | – | 196,421 |
| Total | 445,236 | 172,048 | 292,410 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. At present, the directors do not consider these risks to be significant to the Group.

Currency risk

The Group, currently, is not exposed to a significant currency risk.

Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities carried at fair value, including their levels in the fair value hierarchy.

| At 31 December 2015 | Carrying amount | | | Fair value | | |
|---|----------------------------|----------------------------------|----------------|--------------|----------------|--------------|
| | Loans and receivables € | Other financial liabilities € | Total € | Level 1 € | Level 2 € | Level 3 € |
| Financial liabilities measured at fair value | | | | | | |
| Embedded derivative | – | 706,525 | 706,525 | – | 706,525 | – |
| Total | – | 706,525 | 706,525 | – | 706,525 | – |

Measurement of fair values: valuation techniques and significant unobservable inputs, refer to note 18 for details regarding the fair value of the embedded derivative.

Capital management

The Group's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

23. Earnings per share

| | <i>Basic</i> | | | <i>Diluted</i> | | |
|---|-------------------------------|----------------|----------------|-------------------------------|----------------|----------------|
| | <i>Year ended 31 December</i> | | | <i>Year ended 31 December</i> | | |
| | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| | € | € | € | € | € | € |
| Loss for the year | (803,781) | (900,451) | (4,367,480) | (803,781) | (900,451) | (4,367,480) |
| Weighted average number of ordinary shares in issue during the year | 363,202 | 503,100 | 503,100 | 363,202 | 503,100 | 503,100 |
| Fully diluted average number of ordinary shares during the year | <u>363,202</u> | <u>503,100</u> | <u>503,100</u> | <u>363,202</u> | <u>503,100</u> | <u>503,100</u> |
| EPS | <u>(2.2)</u> | <u>(1.8)</u> | <u>(8.7)</u> | <u>(2.2)</u> | <u>(1.8)</u> | <u>(8.7)</u> |

24. Related parties

The following are deemed as related party transactions as the parties are shareholders and loan note holders:

1. Finanziaria Le Perray Euros 500,000 loaned on 8 October 2014, accrued interest at 31 December 2015 Euros 47,046;
2. Guiseppe Lazzaroni Euros 225,000 loaned on 8 October 2014 accrued interest at 31 December 2015 Euros 4,191;
3. Finanziaria Le Perray Euros 525,219 loaned on 31 December 2014. This was an original shareholder loan converted into convertible loans including accrued interest to 31 December 2014. Accrued interest at 31 December 2015 Euros 42,017;
4. Como Ventures SRL Euros 100,000 loaned on 5 February 2015 accrued interest at 31 December 2015 Euros 5,895;
5. Quadrivio Capital SGR SPA Euros 500,000 loaned on 5 February 2015 accrued interest at 31 December 2015 Euros 30,027.

Guiseppe Lazzaroni is President of the board of Directa Plus SpA.

25. Contingent liabilities

The Group has the following contingent liabilities relating to bank guarantees on operating lease arrangements and government grants.

| | <i>As at 31 December</i> | | |
|--------------------|--------------------------|----------------|---------------|
| | <i>2013</i> | <i>2014</i> | <i>2015</i> |
| Operating leases | 13,692 | 13,692 | 20,000 |
| Government grants: | | | |
| Genius | 128,806 | 128,806 | – |
| Atanor | 188,681 | 188,981 | – |
| Total | <u>331,179</u> | <u>331,479</u> | <u>20,000</u> |

In 2015 the guarantees on the government grants for Genius and Atanor were released.

26. Post balance sheet events

Share capital reorganisation

On 22 April 2016 the shareholders passed an ordinary resolution to redenominate the issued ordinary shares of €503,100 (comprised of 503,100 ordinary shares at €1 each) into an aggregate nominal value of £398,908 (comprised of 503,100 ordinary shares at £0.7929 each).

On 22 April 2016 the shareholders passed a special resolution to cancel the share premium account of the Company and to be credited to reserves and the aggregate nominal value of the issued ordinary shares in the capital of the Company, being £398,907.99 (comprised of 503,100 ordinary shares of £0.7929 each), be reduced to £50,310.00 (comprised of 503,100 ordinary shares of £0.10 each) and the amount by which the share capital is so reduced be credited to a reserve.

Convertible loan notes

Pursuant to the terms of the convertible loan agreements, all of the convertible loans (including interest accrued up to the date of Admission) will have either converted into shares in the Company immediately prior to Admission or will be repaid from the proceeds of the placing. The amount repaid was £0.64 million, with the balance converted into shares.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Placing and the conversion or repayment of the Convertible Loans had taken place on 31 December 2015.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Group as at 31 December 2015, set out in the financial information on the Group for the year ended 31 December 2015 set out in Section B of Part III of this document and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

| | <i>Net liabilities of the Group as at 31 December 2015 (note 1) €</i> | <i>Net placing proceeds (note 2) €</i> | <i>Other adjustments (note 3) €</i> | <i>Pro forma net assets of the Group €</i> |
|---------------------------------|---|--|---|--|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 1,819,115 | – | – | 1,819,115 |
| Property, plant and equipment | 1,224,336 | – | – | 1,224,336 |
| Other investments | 52 | – | – | 52 |
| | <u>3,043,503</u> | <u>–</u> | <u>–</u> | <u>3,043,503</u> |
| Current assets | | | | |
| Inventories | 112,903 | – | – | 112,903 |
| Trade and other receivables | 1,305,214 | – | – | 1,305,214 |
| Prepayments | 35,659 | – | – | 35,659 |
| Cash and cash equivalents | 2,031,650 | 14,366,000 | (837,768) | 15,559,882 |
| | <u>3,485,426</u> | <u>14,366,000</u> | <u>(837,768)</u> | <u>17,013,658</u> |
| Total assets | <u>6,528,929</u> | <u>14,366,000</u> | <u>(837,768)</u> | <u>20,057,161</u> |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Loans and borrowings | (688,821) | – | – | (688,821) |
| Employee benefits | (170,952) | – | – | (170,952) |
| | <u>(859,773)</u> | <u>–</u> | <u>–</u> | <u>(859,773)</u> |
| Current liabilities | | | | |
| Loans and borrowings | (6,082,915) | – | 5,809,847 | (273,068) |
| Embedded derivative | (706,525) | – | 706,525 | – |
| Trade payables | (345,713) | – | – | (345,713) |
| Other payables | (176,007) | – | – | (176,007) |
| Deferred income/revenue | (250,397) | – | – | (250,397) |
| | <u>(7,561,557)</u> | <u>–</u> | <u>6,516,372</u> | <u>(1,045,185)</u> |
| Total liabilities | <u>(8,421,330)</u> | <u>–</u> | <u>6,516,372</u> | <u>(1,904,958)</u> |
| Net (liabilities)/assets | <u>(1,892,401)</u> | <u>14,366,000</u> | <u>5,678,604</u> | <u>18,152,203</u> |

Notes:

1. The net assets of the Group at 31 December 2015 have been extracted without material adjustment from the financial information on the Group for the year ended 31 December 2015 set out in Section B of Part III of this document.

Adjustments:

2. The Placing is estimated to raise net proceeds of £11.0 million (£12.8 million gross proceeds less estimated expenses of approximately £1.8 million).
3. Pursuant to the terms of the Convertible Loan Agreements, all of the Convertible Loans (including interest accrued up to the date of Admission) will have either converted into New Ordinary Shares in the Company immediately prior to Admission or will be repaid from the proceeds of the Placing. The amount repaid was approximately £0.64 million, with the balance converted into New Ordinary Shares. The balance converted or repaid is based on the balance as at 31 December 2015. The actual balance converted or repaid will be the balance as at the date of conversion or repayment. An exchange rate of approximately €1.3 : £1 has been used.

The elimination of the embedded derivative balance reflects the fact that the liability will reverse on conversion of the Convertible Note.

4. No account has been taken of the financial performance of the Group since 31 December 2015 nor of any other event save as disclosed above.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors and the Company accept responsibility, both collectively and individually, for the information contained in this document and for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND STATUS OF THE COMPANY

- 2.1 The Company was incorporated in England and Wales on 26 February 2003 under the name of 106 Tunis Road Property Management Limited with registered number 04679109 as a private limited company under the Act. The Company changed its name to Tunis Trading Limited on 18 June 2003 and to Directa Plus UK Limited on 22 March 2005.
- 2.2 The Company re-registered as a public limited company on 20 May 2016 with the name Directa Plus plc. The liability of the members of the Company is limited.
- 2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.4 The registered office of the Company is at 18 South Street, London W1K 1DG, telephone number +44 (0)207 268 2453 and its principal place of business is at 5th Floor, Curzon Street, London W15 7UW. The Company is domiciled in England and Wales.
- 2.5 The Company's corporate website, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is www.directa.plus.com.
- 2.6 The principal activity of the Company is to act as a holding company. It acts as the holding company of the Group, whose principal activities are described more fully in Part I of this document. There are no exceptional factors which have influenced the Company's activities.
- 2.7 The Company has no fixed life.

3. THE SUBSIDIARIES AND OTHER INVESTMENT

- 3.1 The Company acts as the holding company of the Group and has the following subsidiary undertaking and investment:

| <i>Name</i> | <i>Country of Incorporation</i> | <i>Percentage of issued share capital owned by the Company</i> | <i>Directly/ indirectly owned</i> | <i>Principal activity</i> |
|---------------------------|-------------------------------------|--|---|--|
| Directa Plus S.p.A. | Italy | 100% | Directly | Manufacturer of G+ products |
| Directa Plus Asia Limited | Hong Kong | 49% | Directly | Distributor of G+ products in Asia |

4. SHARE AND LOAN CAPITAL OF THE COMPANY

- 4.1 The Company has no authorised share capital. The issued share capital of the Company, at the date of this document and immediately following Admission is, and will be, as follows:

| | <i>Nominal amount</i> | <i>Number of Ordinary Shares issued and credited as fully paid</i> |
|------------------------------|-----------------------|--|
| At the date of this document | £50,310.00 | 20,124,000 |
| On Admission | £110,532.07 | 44,212,827 |

- 4.2 The following changes to the share capital of the Company have taken place during the three financial years prior to the date of this document:

4.2.1 On 1 October 2012, the Company issued 23,760 ordinary shares of EUR 1.00 each.

4.2.2 On 13 October 2014, the Company entered into a buyback agreement with Vistra (UK) Limited (the “**Buyback Agreement**”) to purchase 2 ordinary shares of £1.00 each in the capital of the Company. These shares were then cancelled on the same date. Further information on the terms of the Buyback Agreement appears at paragraph 14.6 of this Part V of this document.

4.2.3 On 13 October 2014, pursuant to the Share Exchange Agreement the Company acquired the entire issued share capital of Directa Plus S.p.A., in consideration for which the Company allotted and issued a further 139,900 Ordinary Shares of EUR 1.00 each, credited as fully paid to, the Existing Shareholders (the “**Share Exchange**”). Further information on the terms of the Share Exchange Agreement appears at paragraph 14.4 of this Part V of this document.

4.2.4 By a resolution of the members of the Company passed on 22 April 2016:

- (a) the aggregate nominal value of the issued ordinary shares in the capital of the company, being EUR 503,100 (comprised of 503,100 ordinary shares of EUR 1.00 each), was redenominated into an aggregate nominal value of £398,907.99 (comprised of 503,100 ordinary shares of £0.7929 each); and
- (b) the share premium account of the Company was cancelled and the amount of the share premium account so cancelled was credited to a reserve; and
- (c) the aggregate nominal value of the issued ordinary shares in the capital of the Company, being £398,907.99 (comprised of 503,100 ordinary shares of £0.7929 each), was reduced to £50,310 (comprised of 503,100 ordinary shares of £0.10 each) and the amount by which the share capital is so reduced was credited to a reserve.

4.2.5 By a resolution of the members of the Company passed on 19 May 2016, with effect from the adoption of the Articles each issued ordinary of £0.10 in the capital of the Company was subdivided into 20,124,000 ordinary shares of £0.0025 each.

4.2.6 Immediately following such amendments to the share capital of the Company, there were 20,124,000 Ordinary Shares in issue.

- 4.3 Between August 2014 and February 2015, the Company entered into Convertible Loan Note Agreements with various lenders. As at the date of this document the Company had approximately EUR 5.5 million of convertible loans outstanding including accrued interest. Further information on the terms of the Convertible Loan Agreements is set out at paragraph 14.7 of this Part V of this document.

- 4.4 On 30 September 2014 shareholder loans were provided to the Company by Quadrivio Capital (EUR 167,000) and Como Ventures S.r.l. (EUR 19,000) on a short term, interest free basis. The balance was subsequently reissued as a convertible loan on 5 February 2015 in line with the Convertible Loan Agreements. Further information on the terms of the Convertible Loan Agreements is set out at paragraph 14.7 of this Part V of this document.

4.5 On 8 April 2014, the Company entered into a loan agreement with Finanziaria Le Perray S.p.A. (“**Finanziaria**”), pursuant to which Finanziaria agreed to grant an unsecured loan of EUR 500,000 to the Company. Interest was calculated and accrued on the initial capital amount of the loan and the Company entered into a Convertible Loan Agreement with Finanziaria in relation to the new capitalised amount (EUR 525,219.86).

4.6 By a resolution of the members of the Company passed on 19 May 2016 resolutions in the following terms were passed:

4.6.1 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to allot Ordinary Shares and grant rights to subscribe for or convert any security into Ordinary Shares (together “**relevant securities**”) provided that this power is limited to:

- (a) the allotment of relevant securities pursuant to the Placing or a subscription for Conversion Shares up to an aggregate nominal amount of £60,222.07;
- (b) the grant of options over Ordinary Shares to Directors or employees of the Company under the NED Share Scheme and/or the Employees’ Share Scheme up to an aggregate nominal amount of £11,053.21;
- (c) the allotment of relevant securities otherwise than pursuant to sub-paragraphs (a) and (b) of this paragraph 4.6.1 up to an aggregate nominal amount of £36,844.02, representing approximately one third of the Enlarged Share Capital immediately following Admission; and

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date of the next annual general meeting of the Company or 15 months after the passing of this ordinary resolution (whichever is earlier) save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this ordinary resolution has expired;

4.6.2 the Directors were given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 4.6.2 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities pursuant to the Placing or a subscription for Conversion Shares up to an aggregate nominal amount of £60,222.07;
- (b) the grant of options over Ordinary Shares to Directors or employees of the Company under the NED Share Scheme and/or the Employees’ Share Scheme up to an aggregate nominal amount of £11,053.21;
- (c) the allotment of equity securities otherwise than pursuant to sub-paragraphs (a) and (b) of this paragraph 4.6.2 up to an aggregate nominal amount of £11,053.21, representing approximately ten per cent. of the enlarged share capital of the Company immediately following Admission, and

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the Company’s next annual general meeting or 15 months after the passing of this special resolution (whichever is earlier) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this special resolution has expired;

4.6.3 to generally and unconditionally authorise the Company to make market purchases for the purposes of section 701 of the Act (within the meaning of section 693(4) of the Act) of Ordinary Shares, such power to be limited:

- (a) to a maximum number of 4,421,283 Ordinary Shares;
- (b) by the condition that the minimum price which may be paid for an Ordinary Share is £0.0025 per Ordinary Share and the maximum price which may be paid is the highest of: (a) an amount equal to five per cent. above the average market value of an Ordinary

Share for the five Business Days preceding the day on which that Ordinary Share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, in each case, exclusive of expenses,

such authority to expire at the conclusion of the Company's next annual general meeting, or 15 months after the passing of this special resolution (whichever is earlier), but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended;

- 4.6.4 the Company adopted the Articles, with effect from the re-registration of the Company as a public company;
- 4.6.5 the Company be re-registered as a public company under the Companies Act 2006 by the name of Directa Plus plc.
- 4.7 The provisions of section 561(1) of the Act (which, to the extent not dis-applied pursuant to section 571 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the Company except to the extent dis-applied as described in paragraph 4.6.3. Subject to certain limited exceptions, unless the approval of shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of existing Ordinary Shares on a pro rata basis.
- 4.8 The New Shares will upon Admission rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.
- 4.9 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.10 Options over 1,675,609 Ordinary Shares, being equal to approximately 3.79 per cent. of the Enlarged Share Capital have been allocated and will be granted pursuant to the Share Schemes.
- 4.11 Save as disclosed above:
- 4.11.1 no share or loan capital of the Company has been issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- 4.11.2 no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option; and
- 4.11.3 no commission, discounts, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

5. SELLING SHAREHOLDER

- 5.1 Subject to Admission occurring, the Selling Shareholder is selling 300,000 Ordinary Shares in aggregate pursuant to the Placing.
- 5.2 The following table sets out the interests of the Selling Shareholder as at the date of this document and as it is expected to be immediately following Admission and Placing:

| | <i>As at the date of this document</i> | | <i>To be sold pursuant to the Placing</i> | <i>Immediately following Admission and Placing</i> | |
|-----------------------------|--|--------------------------------------|---|--|------------------------------------|
| | <i>No. of Ordinary Shares</i> | <i>% of Existing Ordinary Shares</i> | <i>No. of Ordinary Shares</i> | <i>No. of Ordinary Shares</i> | <i>% of Enlarged Share Capital</i> |
| Galbiga Immobiliare S.r.l.* | 3,356,480 | 16.68 | 300,000 | 3,056,480 | 6.91 |

* Giulio Cesareo, CEO of the Company, and his family are the sole beneficiaries of the Ordinary Shares held by Galbiga Immobiliare S.r.l.

- 5.3 For the purposes of the Placing, the business address of Galbiga Immobiliare S.r.l. is Corso Buenos Aires 1, Cap 20124, Milan, Italy.

6. ARTICLES OF ASSOCIATION

- 6.1 In accordance with Section 31 of the Act and the Articles, the objects of the Company are unrestricted. The Articles contain (among other things) the provisions set out below. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles, a copy of which will be available on the Company's website from Admission.

6.2 Shares

6.2.1 Shares

The Company has one class of share capital being the Ordinary Shares.

6.2.2 Share rights

Without prejudice to the rights attaching to any existing shares or class of shares, any share may be issued with such preferred, deferred or other special rights or such restrictions as the Company may from time to time by ordinary resolution determine or, if the Company has not so determined, as the Directors may determine.

6.2.3 Voting

At a general meeting of the Company, subject to any special rights or restrictions attached to any class of shares, on a show of hands every member present in person or by proxy has one vote, and on a poll every member present in person or by proxy has one vote for every share held by him. No shareholder will be entitled to vote at a general meeting or any separate meeting of the holders of any class of shares in the Company in respect of any share held by him unless all moneys presently owed to the Company have been paid.

6.2.4 Dividends

The Company may, by ordinary resolution, declare dividends to be paid to shareholders, but the amount of such dividends may not exceed the amount recommended by the Directors. If the Directors believe the dividends are justified by the profits of the Company available for distribution, they may pay interim dividends.

The Board may also pay at intervals settled by it any dividend payable at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. Provided the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of interim dividends on any shares having deferred or non-preferred rights. Unless the share rights otherwise provide, all dividends shall be declared and paid pro rata according to the amounts paid on the shares on which the dividend is paid during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed for 12 years from the date on which it became due for payment shall, if the Directors so resolve, be forfeited and shall revert to the Company. The Directors may, if authorised by ordinary resolution, offer to any holders of shares the right to receive, in lieu of dividend, an allotment of new Ordinary Shares credited as fully paid.

6.2.5 Transfer of shares

Subject to the Articles, any member may transfer all or any of his or her certified shares in writing by an instrument of transfer in any usual form or in any other form which the board may approve. The board may, in its absolute discretion, decline to register any instrument of transfer of a certified share which is not a fully paid share or on which the Company has a lien, provided that where any such shares are admitted to AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis in accordance with the Act, the Takeover Code, the AIM Rules for Companies, the CREST Regulations and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning companies

and affecting the Company (including, without limitation, the Electronic Communications Act). The Board may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share, is in favour of not more than four transferees and it is lodged (duly stamped) at the registered office of the Company or at such other place as the Board may appoint accompanied by the relevant share certificate(s) to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer. In the case of a transfer of shares in certificated form by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange, the lodgement of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question. Subject to the Articles and the rules (as defined in the CREST Regulations), and apart from any class of wholly dematerialised security, the Board may permit any class of shares in the Company to be held in uncertificated form and, subject to the Articles, title to uncertificated shares to be transferred by means of a relevant system.

6.2.6 *Sanctions on Shareholders*

Section 793 of the Act confers on public companies the power to require information from members as to interests in voting shares. If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under Section 793 of the Act and is in default for a period of 28 days in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the board may, in its absolute discretion at any time thereafter by notice to such member direct that:

- (a) in respect the shares in relation to which the default occurred (the “**default shares**”) the member shall not be entitled to vote at any shareholders’ meeting either in person or by proxy or exercise and other right conferred by membership in relation to meetings of the Company; and
- (b) where the default shares represent 0.25 per cent. or more of the total number of shares of a relevant class less any shares of that class held in treasury by the Company that:
 - (i) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the default shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the member;
 - (ii) no other distribution shall be made on the default shares; and
 - (iii) no transfer of any of the shares held by such member shall be registered unless:
 - 1. the member is not himself in default as regards supplying the information requested and the transfer when presented for registration is accompanied by a certificate by the member in such form as the board may in its absolute discretion require to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; or
 - 2. the transfer is an approved transfer.

6.2.7 *Variation of rights*

Where the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, the CREST Regulations, the AIM Rules for Companies or any other relevant statute or statutory instrument, law or regulation be varied or abrogated either with the written consent of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. At every such general meeting the necessary quorum shall be two or more persons holding or representing by proxy (which proxies are authorised to exercise voting

rights) not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held in treasury) (but so that at an adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

6.2.8 *Alteration of share capital*

The Company may by ordinary resolution alter its share capital in accordance with the Act. The Company may, by special resolution, reduce its share capital or any share premium account or capital redemption reserve.

6.2.9 *Directors' power to allot*

Subject to the provisions of the Articles and to the Act, any unissued shares in the capital of the Company (whether forming part of the original or any increased capital) and all (if any) shares in the Company lawfully held by or on behalf of it shall be at the disposal of the Board which may offer, allot (with or without a right of renunciation), issue or grant options over such shares to such persons, at such time and for such consideration and upon such terms and conditions as the Board may determine.

6.2.10 *Untraced Shareholders*

Subject to the Act, the CREST Regulations, the AIM Rules for Companies or any other relevant statute or statutory instrument, law or regulation, the Company may sell any shares of a member or the shares of a person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no communication from such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on three consecutive occasions notices sent to a member have been returned undelivered, such member shall not thereafter be entitled to receive notices from the Company until he shall have communicated with the Company and supplied in writing to the Transfer Office a new registered address or a postal address within the United Kingdom for the service of notices or shall have informed the Company, in such manner as may be specified by the Company, of an address for the service of notices by electronic communication.

6.2.11 *Non-UK Shareholders*

There are no limitations in the Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given a postal address in the UK or an address for the service of notices by electronic communication to the Company to which such notices may be sent.

6.2.12 *Return of Capital*

On a winding up or other return of capital, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of any surplus assets of the Company remaining after the discharge of its liabilities.

6.2.13 *Liquidation*

If the Company is in liquidation, the liquidator may, with the authority of a special resolution of the Company:

- (a) divide among the members in specie the whole or part of the assets of the Company; or
- (b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit.

6.2.14 *Pre-emption Rights*

There are no rights of pre-emption under the Articles of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

6.3 **General meetings**

6.3.1 *Annual General Meetings*

An annual general meeting shall be held once in every year, at such time and place as may be determined by the Directors. An annual general meeting shall be called by not less than 21 clear days' written notice.

6.3.2 *General Meetings*

- (a) The Board may call general meetings whenever it thinks fit and on receipt of a requisition of members pursuant to the Act.
- (b) An AGM shall be called by notice of at least 21 clear days. All other general meetings shall be called by at least the minimum number of days' notice permissible under the Act.
- (c) A notice of meeting shall be given to each member of the Company (other than any who, under the Articles or the terms of an allotment or issue of shares, is not entitled to receive notice), to the Directors and to the Company's auditors. Notices covering general meetings shall specify the place and time of the meeting, shall specify the general notice of the business to be transacted at the meeting, and if any resolutions are to be proposed as a special resolution, the notice shall contain a statement to that effect.
- (d) No business shall be transacted at any general meeting unless a quorum is present. Two members present in person or by proxy and entitled to vote shall be a quorum. The absence of a quorum does not prevent appointment of a chairman in accordance with the Articles, which shall not be treated as part of the business of the meeting.
- (e) Each Director shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of a class of shares, whether or not he is a member.
- (f) A resolution put to the vote of a general meeting shall be decided on a show of hands unless, before or on the declaration of the result of a vote on the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by the chairman of the meeting; by not less than two members present in person or by proxy entitled to vote at the meeting by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or by any member or members present in person or by proxy holding shares conferring a right to vote at the meeting shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (g) A member is entitled to appoint another person as his proxy by notice in writing to the Company. A member may appoint more than one proxy to attend on the same occasion and may appoint different proxies to exercise the rights attaching to different shares held by him. A company which is a member of the Company may, by resolution of its Directors or other governing body or by authority to be given under seal or under the hand of an officer duly authorised by it), authorise such a person as it thinks fit to act as

its representative at a meeting of the Company or at any separate meeting of the holders of any class of shares.

6.3.3 *Communications with shareholders*

If notice of meeting is sent in electronic form the Company must have complied with all applicable regulatory requirements and the person entitled to receive such notice must have agreed that the notice can be sent to him in that way and not revoked that agreement or, in the case of a company, be deemed to have agreed to receive notice in that way by a provision in the Act. Provided that the Company has complied with all applicable legal requirements the Company may send or supply a notice of meeting by making it available on a website.

6.4 **Directors**

6.4.1 *Appointment and replacement of Directors*

Directors shall be no less than two and shall not be subject to any maximum in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. At every AGM one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to, but greater than, one-third shall retire from office; but, if there is only one Director who is subject to retirement by rotation, he shall retire. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment, but as between persons who became or were last re-appointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the Act) and on such terms as they may determine and may revoke or terminate any such employment. The Company may by ordinary resolution of which special notice has been given remove any Director from office and elect another person in place of a Director so removed.

The office of Director shall be vacated if (i) he or she resigns (ii) an order is made by any court claiming that he or she is or may be suffering from a mental disorder, (iii) he or she is absent without permission of the Board from meetings for six months and the board resolves that his or her office is vacated, (iv) he or she becomes bankrupt or makes any arrangement or composition with his or her creditors generally or shall apply to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that act, (v) he or she ceases to be a Director by virtue of any provisions of the Act or these Articles or he or she is prohibited by law from being a Director, or (vi) he is requested to resign in writing by not less than three quarters of the other Directors.

6.4.2 *Powers of the Directors*

The business of the Company will be managed by the Board who may exercise all the powers of the Company, subject to the provisions of the Company's memorandum of association, the Articles, the Act and any special resolution of the Company.

6.4.3 *Directors' Fees*

Remuneration of Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) are determined by the Directors except that they may not exceed £250,000 per annum in aggregate or such higher amount as may be determined by ordinary resolution of shareholders. Any Director who holds any executive office (including the office of chairman or deputy chairman), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

6.4.4 *Authorisation of Directors' interests*

Subject to the provisions of the Act, and provided that he has disclosed to the board the nature and extent of any material interest of his, a Director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (c) 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; and
- (d) 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 transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

6.4.5 *Notification of Directors' interests*

For the purposes of paragraph 6.4.4:

- (a) a general notice given to the board that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and
- (b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

6.4.6 *Exercise by Company of voting rights*

The Board may exercise the voting power conferred by the shares in any body corporate held or owned by the Company in such manner in all respects as it thinks fit (including the exercise thereof in favour of any resolution appointing its members or any of them Directors of such body corporate, or voting or providing for the payment of remuneration to the Directors of such body corporate).

6.4.7 *Directors' liabilities*

Subject to companies legislation, every Director and former Director shall be indemnified by the Company against any liability attaching to him in connection with:

- (a) civil or criminal proceedings in relation to the Company or an associated company (other than a liability incurred in defending proceedings brought by the Company or an associated company in which final judgment is given against the Directors);
- (b) criminal proceedings in relation to the Company or an associated company (other than a fine imposed in such proceedings, or a liability incurred in defending proceedings in which the Director is convicted and the conviction is final);
- (c) regulatory action taken by or a regulatory investigation by a regulatory authority in relation to the Company or an associated company (unless a sum is payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising)); or
- (d) any application for relief under:
 - (i) sections 661(3) or (4) of the Act (power of court to grant relief in case of acquisition of shares by innocent nominee); or

- (ii) section 1157 of the Act (general power of court to grant relief in case of honest and reasonable conduct), unless the court refuses to grant the Director relief, and the refusal of relief is final; or
- (e) civil proceedings in relation to an occupational pension scheme of which the Company is a trustee in respect of liability incurred in connection with the Company's activities as a trustee of the scheme (other than a fine imposed in criminal proceedings, a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising) or a liability incurred in defending proceedings in which the Director is convicted and the conviction is final).

6.4.8 *Insurance*

The Directors may purchase and maintain insurance for a person who is, or was at any time, a Director, officer or employee of the Company, any company within the Group or, any other body in which the Company is or has been interested of the Company against any liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund.

6.4.9 *Indemnity*

The Company may indemnify, out of the assets of the Company, any Director or former director of either the Company or any associated company (i) against losses or liabilities which he may sustain or incur in the performance of the duties of his office or otherwise in relation thereto; and (ii) where the Company or such associated company acts as trustee of a pension scheme, against liability incurred by him in connection with the relevant company's activities as trustee of such scheme.

6.4.10 *Retirement*

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those Directors who have been longest in office since their last re-election or appointment, and as between persons who became directors or were last re-elected on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third Annual General Meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may by ordinary resolution appoint any person to be a Director. The Directors may also appoint one or more Directors (so as not to exceed any maximum number fixed by the Articles) but any Director so appointed shall retire at, or at the end of, the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

6.4.11 *Executive Office*

The Directors may from time to time appoint one or more Directors to be the holder of any executive office on such terms and for such period as they determine.

6.4.12 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and issue debenture and other securities.

7. MANDATORY TAKEOVER BIDS, SQUEEZE-OUT AND SELL-OUT RULES

7.1 Mandatory bid

7.1.1 The Takeover Code is issued and administered by the Panel on Takeovers and Mergers (the “**Panel**”). The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the “**Directive**”). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the Takeover Code which are derived from the Directive now have a statutory basis.

7.1.2 The Company is a public company incorporated in England and Wales and will be admitted to trading on AIM. Accordingly, the Takeover Code will apply to the Company from Admission.

7.1.3 Under Rule 9 of the Takeover Code, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the Takeover Code; or
- (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, if such person, or any person acting in concert with him, acquires an interest in any other shares which increases the voting rights in which he is interested,

then, except with the consent of the Panel, he, and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert parties.

7.1.4 An offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid within the preceding 12 months for any shares by the person required to make the offer or any person acting in concert with him.

7.2 Compulsory Acquisition – squeeze out

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

7.3 Compulsory Acquisition – sell out

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

8. INTERESTS OF THE DIRECTORS

- 8.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the Act) in the issued share capital of the Company and the existence of which could, with reasonable diligence, be ascertained by any Director as at the date of this document and as expected to be immediately following Admission are as follows:

| <i>Name</i> | <i>As at the date of this document</i> | | <i>Immediately following Admission</i> | |
|----------------------|--|--|--|--|
| | <i>No. of Ordinary Shares</i> | <i>% of Existing Ordinary Shares</i> | <i>No. of Ordinary Shares</i> | <i>% of Enlarged Share Capital</i> |
| Sir Peter Middleton | – | – | 20,000 | 0.05 |
| Giulio Cesareo** | 3,356,480 | 16.68 | 3,056,480 | 6.91 |
| Marco Ferrari | – | – | 6,667 | 0.02 |
| Professor David Gann | – | – | 20,000 | 0.05 |
| Neil Warner | – | – | 20,000 | 0.05 |
| Luca Lodi-Rizzini | – | – | 6,667 | 0.02 |
| Elizabeth Robinson* | 4,842,680 | 24.06 | 5,845,208 | 13.22 |

* Elizabeth Robinson is an investment Director of Quadrivio Capital SGR and therefore is deemed to be beneficially interested in the 5,845,208 Ordinary Shares held by funds managed by Quadrivio Capital SGR.

** Giulio Cesareo, CEO of the Company, and his family are the sole beneficiaries of the 3,056,480 Ordinary Shares held by Galbiga Immobiliare S.r.l.

| <i>Name</i> | <i>No. of Awards</i> | <i>Date of Grant</i> | <i>Exercise Price</i> | <i>Vesting Period</i> |
|----------------------|--------------------------|----------------------|---------------------------|---------------------------|
| Sir Peter Middleton | 100,000 | 27 May 2016 | 75p | 3 years |
| Giulio Cesareo | 545,176 | 27 May 2016 | 0.25p | 3 years |
| Marco Ferrari | 265,441 | 27 May 2016 | 0.25p | 3 years |
| Professor David Gann | 60,000 | 27 May 2016 | 75p | 3 years |
| Neil Warner | 60,000 | 27 May 2016 | 75p | 3 years |
| Luca Lodi-Rizzini | 60,000 | 27 May 2016 | 75p | 3 years |

- 8.2 Save as disclosed above, none of the Directors (or persons connected with the Directors within the meaning of section 252 of the Act) has any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company.
- 8.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 8.4 Save as disclosed above, and save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.
- 8.5 None of the Directors or any person connected with them (within the meaning of section 252 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

9. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 The Directors have been appointed to the offices and employments set out against their respective names. The letters of appointment summarised below are each between the respective Director and the Company.

9.2 *Executive Directors*

9.2.1 Giulio Cesareo (Chief Executive Officer, Age 60)

Giulio Cesareo entered into an executive full time employment contract with Directa Plus S.p.A on 23 November 2005. His employment may be terminated on notice, the length of such notice period being determined pursuant to the applicable National Collective Bargaining Agreement (NCBA) depending upon accrued length of service. As at the date of this document, Mr Cesareo receives an annual salary of €246,000 payable in thirteen monthly instalments. Mr Cesareo is enrolled in a management objectives plan under which he is entitled to receive a bonus of up to 40 per cent. of his gross annual salary, subject to certain targets being achieved. He is also entitled to receive a mandatory annual bonus for attendance as provided by the applicable NCBA. Mr Cesareo is enrolled in a healthcare fund and supplementary pension fund for employees working in the chemical sector. Pursuant to the applicable NCBA, he is entitled to 35 days' holiday per annum. The agreement is governed by Italian law.

In addition, on 23 May 2016, Mr Cesareo also entered into a new letter of appointment with the Company to continue to act as its Chief Executive Officer. Mr Cesareo receives an annual fee of €21,000 in consideration of his appointment as an executive director of the Company. On Admission, Mr Cesareo will be awarded performance shares under the Employees' Share Scheme equivalent to 200 per cent. of his annual salary from the Group as a whole. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Mr Cesareo is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.2.2 Marco Ferrari (Chief Financial Officer, Age 31)

Marco Ferrari entered into a full time employment contract with Directa Plus S.p.A on 13 October 2014. His employment may be terminated on notice, the length of such notice period being determined pursuant to the applicable National Collective Bargaining Agreement (NCBA) depending upon accrued length of service. As at the date of this document, Mr Ferrari receives an annual salary of €109,000 payable in thirteen monthly instalments. Mr Ferrari is enrolled in a management objectives plan under which he is entitled to receive a bonus of up to 25 per cent. of his gross annual salary, subject to certain targets being achieved. Mr Ferrari is enrolled in a healthcare fund and supplementary pension fund for employees working in the chemical sector. Pursuant to the applicable NCBA, he is entitled to 4 weeks' holiday per annum. The agreement is governed by Italian law.

In addition, on 23 May 2016, Mr Ferrari also entered into a letter of appointment with the Company to act as an executive director of the Company with effect from 28 April 2016. Mr Ferrari receives an annual fee of €21,000 in consideration of his appointment as an executive director of the Company. On Admission, Mr Ferrari will be awarded performance shares under the Employees' Share Scheme equivalent to 200 per cent. of his annual salary from the Group as a whole. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Mr Cesareo is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.3 **Non-Executive Directors**

9.3.1 *Sir Peter Middleton (Non-Executive Chairman, Age 82)*

Sir Peter Middleton was appointed as a non-executive director and chairman of the Company with effect from 31 March 2015. Sir Peter entered into a new letter of appointment with the Company on 23 May 2016. Pursuant to his appointment letter, Sir Peter's appointment may be terminated by either party giving 3 months' prior written notice. Sir Peter has agreed to commit 2 working days per calendar month to the discharge of his duties as a non-executive director of the Company, and any extra days as necessary. Sir Peter is entitled to an annual fee of £50,000 and all reasonable out-of pocket expenses reasonably and properly incurred. On Admission, Sir Peter will be granted share options under the NED Share Scheme equivalent to 150 per cent. of his annual fee. Additional fees may be paid for project and development work approved in advance by the Board. Sir Peter has agreed to indemnify the Company in respect of all taxes and national insurance or similar contributions in respect of his fees under the appointment letter, save to the extent that the Company has made or does make an actual deduction in respect of such liability. He will not be entitled to any bonus, pension or other benefits. The Company has agreed to indemnify Sir Peter in relation to his position as a director to the fullest extent permitted by law. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Sir Peter is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.3.2 *Professor David Gann (Non-Executive Director, Age 55)*

Professor David Gann was appointed as a non-executive director of the Company with effect from 28 April 2016 pursuant to the terms of a deed of appointment entered into between the Company and Prof. Gann dated 23 May 2016. Prof. Gann's appointment may be terminated by either party giving 3 months' prior written notice. Prof. Gann has agreed to commit 2 working days per calendar month to the discharge of his duties as a non-executive director of the Company, and any extra days as necessary. Prof. Gann is entitled to an annual fee of £30,000 and all reasonable out-of pocket expenses reasonably and properly incurred. On Admission, Prof. Gann will be granted share options under the NED Share Scheme equivalent to 150 per cent. of his annual fee. Additional fees may be paid for project and development work approved in advance by the Board. Prof. Gann has agreed to indemnify the Company in respect of all taxes and national insurance or similar contributions in respect of his fees under the appointment letter, save to the extent that the Company has made or does make an actual deduction in respect of such liability. He will not be entitled to any bonus, pension or other benefits. The Company has agreed to indemnify Prof. Gann in relation to his position as a director to the fullest extent permitted by law. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Prof. Gann is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.3.3 *Neil Warner (Non-Executive Director, Age 63)*

Neil Warner was appointed as a non-executive director of the Company with effect from 28 April 2016 pursuant to the terms of a deed of appointment entered into between the Company and Mr Warner dated 23 May 2016. Mr Warner's appointment may be terminated by either party giving 3 months' prior written notice. Mr Warner has agreed to commit 2 working days per calendar month to the discharge of his duties as a non-executive director of the Company, and any extra days as necessary. Mr Warner is entitled to an annual fee of £30,000 and all reasonable out-of pocket expenses reasonably and properly incurred. On Admission, Mr Warner will be granted share options under the NED Share Scheme equivalent to 150 per cent. of his annual fee. Additional fees may be paid for project and development work approved in advance by the Board. Mr Warner has agreed to indemnify the Company in respect of all taxes and national insurance or similar contributions in respect of his fees under the appointment letter, save to the extent that the Company has made or does make an actual deduction in respect of such liability. He will not be entitled to any bonus, pension or other benefits. The Company has agreed to indemnify Mr Warner in relation to his position as a

director to the fullest extent permitted by law. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Mr Warner is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.3.4 *Luca Lodi-Rizzini (Non-Executive Director, Age 43)*

Luca Lodi-Rizzini was appointed as a non-executive director of the Company with effect from 31 March 2015. Mr Lodi-Rizzini entered into a new letter of appointment with the Company on 23 May 2016. Pursuant to his letter of appointment, Mr Lodi-Rizzini's appointment may be terminated by either party giving 3 months' prior written notice. Mr Lodi-Rizzini has agreed to commit 2 working days per calendar month to the discharge of his duties as a non-executive director of the Company, and any extra days as necessary. Mr Lodi-Rizzini is entitled to an annual fee of £30,000 and all reasonable out-of pocket expenses reasonably and properly incurred. On Admission, Mr Lodi-Rizzini will be granted share options under the NED Share Scheme equivalent to 150 per cent. of his annual fee. Additional fees may be paid for project and development work approved in advance by the Board. Mr Lodi-Rizzini has agreed to indemnify the Company in respect of all taxes and national insurance or similar contributions in respect of his fees under the appointment letter, save to the extent that the Company has made or does make an actual deduction in respect of such liability. He will not be entitled to any bonus, pension or other benefits. The Company has agreed to indemnify Mr Lodi-Rizzini in relation to his position as a director to the fullest extent permitted by law. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Mr Lodi-Rizzini is not re-elected as a director or he is retired from office under the Articles, his appointment shall terminate and he will not be entitled to any compensation for loss of office.

9.3.5 *Elizabeth Robinson (Non-Executive Director, Age 59)*

Elizabeth Robinson was appointed as a non-executive director of the Company with effect from 31 March 2015. Dr. Robinson entered into a new letter of appointment with the Company on 23 May 2016. Pursuant to her letter of appointment, Dr Robinson's appointment may be terminated by either party giving 3 months' prior written notice. Dr. Robinson has agreed to commit 2 working days per calendar month to the discharge of her duties as a non-executive director of the Company, and any extra days as necessary. Dr. Robinson is entitled to an annual fee of £12,000 and all reasonable out-of pocket expenses reasonably and properly incurred. Dr. Robinson has agreed to indemnify the Company in respect of all taxes and national insurance or similar contributions in respect of her fees under the appointment letter, save to the extent that the Company has made or does make an actual deduction in respect of such liability. She will not be entitled to any bonus, pension or other benefits. The Company has agreed to indemnify Dr. Robinson in relation to her position as a director to the fullest extent permitted by law. The letter of appointment includes a confidentiality provision and post termination restrictions. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interest. In the event that Dr. Robinson is not re-elected as a director or she is retired from office under the Articles, her appointment shall terminate and she will not be entitled to any compensation for loss of office.

9.4 Save as disclosed above, there are no service contracts in existence or proposed between any Director and the Company or any company in the Group.

9.5 The aggregate remuneration and benefits in kind, paid by the Group to the Directors in respect of the period ended 31 December 2015 was £134,205. It is estimated that under the arrangements currently in force at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the Directors (if applied on an annualised basis) for the financial period ending 31 December 2016 by the Company will be no less than £400,000.

10. ADDITIONAL INFORMATION ON THE DIRECTORS

10.1 The names of all companies (excluding group companies) and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document and indicating whether they are current or past are set out below:

| <i>Director</i> | <i>Current Directorships/ Partnerships</i> | <i>Past Directorships/ Partnerships</i> |
|----------------------------|--|--|
| Sir Peter Middleton | Bankers Benevolent Fund Burford Capital Limited Burford Capital Holdings (UK) Ltd, formerly Firstassist Legal Group Holdings Ltd European Association for Banking and Financial History e.V Hamilton Ventures Philharmonia Trust Ltd The Resort Group PLC Worshipful Company of International Bankers | Barclays Asia Pacific Advisory Committee Centre for Effective Dispute Resolution Limited Creative Sheffield Limited Fenchurch Partners LLP Hume Capital Securities PLC (formerly XCAP Securities Limited) Inter Media Research and Consulting Europe Marsh Limited Marsh Brokers Limited Marsh & McLennan Companies Mercer Ltd Mercer Employee Benefits Ltd S T Telemedia Three Delta LLP University of Sheffield |
| Guillio Cesareo | Galbiga Immobiliare – Società a Responsabilit à Limitata | |
| Prof. David Gann | Brighton Dome and Festival Ltd David Gann Partnership Imperial College India Foundation (Mumbai) | Think Play Do Group Ltd Institute for Sustainability |
| Neil Warner | Enteq Upstream Plc Trifast Plc Vectura Group plc Bronzagate Ltd | Dechra Pharmaceuticals Plc |
| Elizabeth Robinson | Advances in Medicine S.r.l. Biogenera S.p.A. Biouniversa S.r.l. Cellply S.r.l. Glomeria Therapeutics S.r.l. MolMed S.p.A M31 Italia S.r.l. Nicox Research Institute S.r.l | Bluegreen Biotech S.r.l. Eucardia S.r.l. Layline Geonmics S.p.A.(also known as LLP SPA) Mind 37 S.r.l Relivia S.r.l Spreaker S.r.l. |

10.2 Sir Peter Middleton was Chairman of Hume Capital Securities plc at the time that the High Court placed the company into special administration on 16 March 2015.

- 10.3 Save as disclosed in this paragraph 10, none of the Directors has:
- 10.3.1 any unspent convictions in relation to indictable offences;
 - 10.3.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 10.3.3 been a director of a company which has been placed in receivership, compulsory 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;
 - 10.3.4 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;
 - 10.3.5 been the owner of any asset or been a partner in any partnership which owned, any asset which while he owned that asset, or while he was a partner or within the 12 months after he ceased to be a partner in the partnership which owned the asset entered into receivership;
 - 10.3.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
 - 10.3.7 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 any company.
- 10.4 Save as disclosed in this document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- 10.5 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances. Further details of the lock-in arrangements are set out in paragraph 14.3 of this Part V of this document.
- 10.6 No loans made or guarantees granted or provided by the Company or any company in the Group to or for the benefit of any Director are outstanding.

11. SIGNIFICANT SHAREHOLDERS

- 11.1 Save as disclosed in sub-paragraphs 8.1 above the Company is only aware of the following persons who, at the date of this document and immediately following Admission, represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3 per cent. or more of the Company's issued share capital or could exercise control over the Company:

| <i>Name</i> | <i>As at the date of this document</i> | | <i>Immediately following Admission</i> | |
|-----------------------------|--|--------------------------------------|--|------------------------------------|
| | <i>No. of Ordinary Shares</i> | <i>% of Existing Ordinary Shares</i> | <i>No. of Ordinary Shares</i> | <i>% of Enlarged Share Capital</i> |
| Dompe Group | – | – | 5,126,666 | 11.60% |
| Unicorn Asset Management | – | – | 4,000,000 | 9.05% |
| Finanziaria Le Perray S.P.S | 678,080 | 3.37 | 2,254,754 | 5.10% |
| Ruffer | – | – | 2,000,000 | 4.52% |
| William Cate | 1,885,480 | 9.37 | 1,885,480 | 4.26% |
| Robert Mercuri | 1,885,480 | 9.37 | 1,885,480 | 4.26% |
| Paul Calarco | 1,885,480 | 9.37 | 1,885,480 | 4.26% |
| Jean-Marc Droulers | 1,699,040 | 8.44 | 1,699,040 | 3.84% |
| Enrico Terraneo | 1,106,160 | 5.50 | 1,106,160 | 2.50% |

* Enrico Terraneo is the beneficiary of 943,480 Ordinary Shares held by Whalmit International S.A. (in liquidation).

11.2 None of the Directors nor any persons named in sub-paragraph 11.1 above has voting rights which are different to any other holder of Ordinary Shares.

12. EMPLOYEES

12.1 The number of employees employed in the Group at the end of each of the last 2 financial years was as follows:

| | <i>Year ended</i> 31 December 2014 | <i>Year ended</i> 31 December 2015 |
|--|---------------------------------------|---------------------------------------|
| | 15 | 19 |

13. SHARE SCHEMES

13.1 The Company established the Employees' Share Scheme for employees and executive directors and the NED Share Scheme for the Chairman and non-executive directors on 19 May 2016. The Employees' Share Scheme is administered by the Remuneration Committee. The NED Share Scheme is administered by the Executive Directors.

13.2 The Directors are entitled to grant awards over up to 10 per cent. of the Company's issued share capital from time to time. Awards over a total of 1,675,609 Ordinary Shares are due to be granted on or around the date of Admission on the vesting and other terms, as set out below. No awards have as yet been exercised, leaving a total of 1,675,609 outstanding as at the date of this document.

13.3 The main terms of the Share Schemes are set out below.

13.3.1 **Eligibility**

All persons who at the date on which an award is granted under the Employees' Share Scheme are employees (or employees who are also office-holders) of a member of the Group are eligible to participate. The Board may also grant market value share options to non-executive directors under the NED Share Scheme.

The Remuneration Committee decides to whom awards are granted under the Employees' Share Scheme, the number of Ordinary Shares subject to an award, the exercise date(s) (subject to the below) and the performance conditions (if any) which must be achieved in order for the award to be exercisable.

13.3.2 **Types of Award**

Awards granted under the Employees' Share Scheme can take the form of performance shares and/or market value share options. "Performance shares" are share options with an exercise price equal to the nominal value of a share, while "market value share options" are share options with an exercise price equal to the market value of a share at the date of grant. The right to exercise the award is generally dependent upon the participant remaining an officer or employee throughout the performance period and, except in the case of market value share options granted to the Chairman or non-executive directors, the satisfaction of performance conditions. This is subject to the good leaver provisions described below.

Awards granted under the Share Schemes will not be pensionable.

13.3.3 **Individual Limits**

The value of Ordinary Shares over which an employee or executive director may be granted awards under the Employees' Share Scheme in any financial year of the Company shall not exceed 200 per cent. of his basic rate of salary at the date of grant. The value of Ordinary Shares over which a non-executive director may be granted market value share options under the NED Share Scheme in any financial year of the Company shall not exceed 150 per cent. of his annual rate of fees.

13.3.4 **Performance Targets**

The Remuneration Committee will impose objective targets which will determine the extent to which awards will vest.

Targets for awards to be granted to executive directors and senior employees on or prior to Admission will be based on growth in EBITDA, share price and production targets in line with the Company's forecasts prior to Admission.

The Remuneration Committee may modify or amend the performance targets if changes to the Company or its business mean that the targets are no longer relevant or appropriate. However, any new or amended conditions will not be materially any more or less challenging than the original conditions were expected to be at the time they were imposed.

The vesting of market value share options granted to non-executive directors will not be subject to performance conditions.

13.3.5 **Variation of share capital**

Awards granted under the Share Schemes may be adjusted to reflect variations in the Company's share capital.

13.3.6 **Vesting of awards**

Awards will vest on the third anniversary of the date of grant to the extent that the performance targets have been met. Vested awards may generally be exercised between the third and tenth anniversaries of the date of grant.

Awards may vest earlier:

- (a) if the participant ceases to be in employment due to injury, disability or redundancy or if he dies; awards may be then exercised during the twelve month period following cessation to the extent that the performance targets (adjusted to take account of the shorter period from grant) have been met and scaled down to reflect the proportion of the performance period that has elapsed; or
- (b) if the Company is taken over, or there is a scheme of arrangement or a voluntary winding up, awards may then be exercised to the extent determined by the Remuneration Committee, taking into account the extent that the performance targets have been met and the proportion of the performance period that has elapsed.

13.3.7 **Leavers**

As a general rule, if a participant ceases to be an employee before the third anniversary of the date of grant of his award, it will lapse immediately.

However, if the participant leaves before the third anniversary of the date of grant due to injury, disability or redundancy or if he dies, his award may be then exercised during the twelve month period following cessation to the extent that the adjusted performance targets have been met and scaled down to reflect the proportion of the performance period that has elapsed.

13.3.8 **Rights and restrictions**

Ordinary Shares issued under the Share Schemes will rank *pari passu* with existing Ordinary Shares and the Company shall apply for such shares to be admitted to trading on AIM.

13.3.9 **Share Scheme limits**

The total number of unissued Ordinary Shares over which awards may be granted under the Share Schemes, when aggregated with the total number of Ordinary Shares issued pursuant to share awards or made issuable pursuant to options granted under any share scheme for directors or employees in the ten years immediately preceding the date upon

which an award is granted, shall not exceed ten per cent. of the Company's issued Ordinary Shares at the date of grant.

13.3.10 **Alteration**

The Remuneration Committee or the Board as the case may be may amend the rules of the Share Schemes provided that no amendments may adversely affect a participant as regards awards granted before the date of amendment without the consent of the holders of 75 per cent. of the shares then subject to awards.

13.3.11 **Clawback**

The Remuneration Committee may apply clawback where at any time before or within a year of vesting it determines that the financial results of the Company were misstated, an error was made in any calculation or in assessing performance, which resulted in the number of Ordinary Shares in respect of which the award was granted or vested being more than it should have been. The Remuneration Committee may also apply a clawback at any time if it is discovered that the participant committed an act or omission prior to vesting that justified, or would have justified, summary dismissal from office or employment.

13.3.12 **General**

Awards may not be assigned, charged or transferred.

Participants in the Share Schemes are not entitled to compensation for loss of awards due to termination of their office or employment and their rights and obligations are not affected by participation in the Share Schemes.

The existence of awards does not affect the Company's ability to change its share capital structure or to merge, consolidate, issue bonds, debentures, or preferred stock or to dissolve or liquidate the Company, or to sell or transfer any part of its assets or business.

14. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date of this document or were entered into prior to this but contain provisions which are, or may be, material:

14.1 **Placing Agreement**

The Placing Agreement dated 24 May 2016 between the Company, the Directors, the Selling Shareholder and Cantor Fitzgerald whereby Cantor Fitzgerald was appointed as agent of the Company and the Selling Shareholder to use its reasonable endeavours to procure subscribers for the New Placing Shares and the Sale Shares respectively, at the Placing Price. Pursuant to the Placing Agreement, the Company and its Directors have given certain warranties, and the Company has given certain indemnities, to Cantor Fitzgerald regarding, *inter alia*, the accuracy of information in this document. The Placing is not underwritten. The Placing Agreement (other than in respect of the First Tranche Placing Shares) is conditional, *inter alia*, on Admission taking place no later than 27 May 2016 or such later date as may be agreed by the Company and Cantor Fitzgerald, being no later than 17 June 2016, and the Company and its Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay to Cantor Fitzgerald a corporate finance fee of £200,000 and a commission of 3.75 per cent. of the gross proceeds of New Placing Shares issued to Placees procured by Cantor Fitzgerald, together with all reasonable and properly incurred costs and expenses and VAT thereon, where appropriate. The Company may, at its sole discretion, agree to pay to Cantor Fitzgerald an additional commission of 0.5 per cent. of the gross proceeds of the Placing Shares issued to Placees procured by Cantor Fitzgerald. The Selling Shareholder has agreed to pay Cantor Fitzgerald a commission of 3.75 per cent. of the gross proceeds of the Sale Shares issued to Placees procured by Cantor Fitzgerald.

Cantor Fitzgerald is entitled, in certain limited circumstances, to terminate the Placing Agreement prior to Admission and to the payment of its outstanding costs on such termination.

14.2 **Nominated Adviser and Broker Agreement**

A Nominated Adviser and Broker Agreement dated 24 May 2016 between the Company, the Directors and Cantor Fitzgerald pursuant to which the Company has appointed Cantor Fitzgerald to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The agreement contains certain undertakings by the Directors and the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The agreement continues for a minimum period of 12 months from Admission and is subject to termination, *inter alia*, by either the Company or Cantor Fitzgerald on the giving of not less than three months' prior written notice.

14.3 **Lock-in and orderly market Agreements**

Pursuant to the Shareholder Lock-in Agreement and the Director Lock-in Agreement respectively, each of the Shareholder Locked-in Parties and the Director Locked-in Parties have undertaken to the Company and Cantor Fitzgerald that, save in specified circumstances, they will not, and they shall use their reasonable endeavours to procure that their associates, by reference to the definition of "related party" in the AIM Rules for Companies ("**Associates**") will not, dispose of any interest in Ordinary Shares held by them for a period of 6 months from Admission ("**Lock-in Period**").

The specified circumstances include:

- 14.3.1 a disposal to the personal representative of any relevant shareholder who dies during the Lock-in Period or Soft Lock-in Period (as defined below); or
- 14.3.2 any disposal pursuant to acceptance of a general, partial or tender offer made by an offeror (the "Offeror") to all shareholders of the Company for the whole or a part of the issued share capital of the Company (other than any shares already held by the Offeror or persons acting in concert with the Offeror); or
- 14.3.3 the execution of an irrevocable commitment to accept a general, partial or tender offer made to all shareholders of the Company for the whole or a part of the issued capital of the Company (other than any shares already held by the Offeror or persons acting in concert with the Offeror); or
- 14.3.4 a sale to an offeror or potential offeror who has been named in an announcement made pursuant to the City Code on Takeovers and Mergers; or
- 14.3.5 any disposal pursuant to an intervening court order; or
- 14.3.6 a disposal:
 - (a) made by way of gift to their wife, husband, parent, adult child or sibling (each a "**Family Member**"); or
 - (b) made by way of gift to any trustee or trustees of a trust created by, or including a principal beneficiary, a relevant shareholder or a Family Member.
- 14.3.7 a disposal made with the prior written consent of Cantor Fitzgerald.

Furthermore, each of the Shareholder Locked-in Parties and the Director Locked-in Parties has also undertaken to the Company and Cantor Fitzgerald for a further 6 month period following the expiry of the Lock-in Period ("**Soft Lock-in Period**") to only dispose, and that they shall use their reasonable endeavours to procure that their Associates will only dispose, of their Ordinary Shares through Cantor Fitzgerald or as Cantor Fitzgerald may reasonably require, in accordance with orderly market principles.

Galbiga Immobiliare S.r.l. and Giulio Cesareo have entered into the Galbiga/Cesareo Lock-in Agreement which is made on substantially the same terms as set out above save that the Lock-in Period shall be a period of 12 months from Admission.

14.4 **Share Exchange Agreement**

On 13 October 2014, the Company entered into a Share Exchange Agreement with each of the shareholders of Directa Plus S.p.A. to acquire the balance of the shares in Directa Plus S.p.A. not held by the Company. Pursuant to the Share Exchange Agreement, the Company acquired such interest in Directa Plus S.p.A. in exchange for the allotment and issue of 139,900 shares of EUR 100 in the Company. The Share Exchange Agreement provided for the shares in Directa Plus S.p.A. to be transferred to the Company with full title guarantee and free from all encumbrances.

14.5 **Asia Shareholders' Agreement**

On 14 September 2015, the Company entered into a shareholders' agreement between (1) the Company, (2) Vittoria Investments Limited and (3) Directa Plus Asia Limited in relation to Directa Plus Asia Limited, a joint venture company, (the "**Asia JV' Agreement**"). The agreement sets out the terms of an exclusive arrangement between the parties to sell G+ in its raw form in Eastern, Southern and South Eastern Asia. The Asia Shareholders' Agreement is governed by Hong Kong law.

14.6 **Share Buyback Agreement**

On 13 October 2014, the Company entered into a buyback agreement with Vistra (UK) Limited (the "**Buyback Agreement**") to purchase 2 ordinary shares of £1.00 each in the capital of the Company. Pursuant to the buyback agreement, the consideration for the shares was £1.00 per ordinary share (being an aggregate amount of £2.00). These shares were then cancelled on the same date.

14.7 **Convertible Loan Agreements**

Between August 2014 and February 2015, the Company entered into Convertible Loan Agreements with the Lenders. Subsequent variation agreements have been entered into with certain Lenders. On Admission, the Company shall, at the request of the relevant Lender, either repay the capital amount and all accrued and outstanding interest (8 per cent. per annum) or convert such amount into Ordinary Shares at a 25 per cent. discount to the Placing Price.

The Company has received confirmation that 85.4 per cent. of the Lenders will convert their loans into Ordinary Shares at Admission and accordingly 7,055,493 Ordinary Shares (representing 15.96 per cent. of the Enlarged Share Capital) will be issued to the Lenders at Admission.

The outstanding balance of approximately €0.8 million of the Convertible Loans (together with accrued interest) will be repaid on Admission using part of the proceeds of the Placing.

Pursuant to the Convertible Loan Agreements (as varied), each Lender agrees that if it is a legal or beneficial holder of shares in the Company at the time of Admission it shall not sell or transfer any interest in the shares in the Company to any person during the 6 month period following Admission and for the 6 month period thereafter only sell any such interest in such shares through the Company's appointed nominated broker at that time so that an orderly marking in the share capital of the Company is maintained.

14.8 **Loan agreement with Finanziaria**

On 8 April 2014, the Company entered into a loan agreement with Finanziaria Le Perray S.p.A. ("**Finanziaria**"), pursuant to which Finanziaria agreed to grant an unsecured loan of EUR 500,000 to the Company. Further information on this loan agreement is set out at paragraph 4.5 of this Part V of this document.

14.9 **Shareholder loans from Como Ventures and Quadrivio Capital**

On 30 September 2014, shareholder loans were provided to the Company by Quadrivio Capital SGR (EUR 167,000) and Como Venture S.r.l. (EUR 19,000) on a short term, interest free basis. The balance of each loan was subsequently reissued as a convertible loan on 5 February 2015 in line with the Convertible Loan Agreements. Further information on the terms of the Convertible Loan Agreement is set out at paragraph 14.7 of this Part V of this document.

14.10 **Shareholder loan to Directa Plus S.p.A.**

The Company granted an interest free, unsecured loan of EUR 645,092 to Directa Plus S.p.A. The loan is repayable on demand. On 11 November 2015, the Directors resolved to waive the repayment of the loan of an amount equal to EUR 555,116. The difference between EUR 645,092 and EUR 555,116 (equal to EUR 89,976) was used as partial covering of the loss suffered by Directa Plus S.p.A.

14.11 **Financial Advisor Agreement**

Pursuant to an engagement letter dated 3 June 2015, Directa Plus S.p.A. appointed Hamilton Venture Capital Ltd ("**Hamilton Ventures**") as its non-exclusive financial advisor and placing agent. Pursuant to the terms of the letter, Hamilton Ventures is entitled to receive a monthly retainer fee of £4,500, a placement fee of 6 per cent. (excluding VAT) of the amount of any monies invested with or through Hamilton Ventures during the period before Admission (where the investment has been introduced

or referred directly or indirectly by Hamilton Ventures or triggered in any way by the activities of Hamilton Ventures pursuant to the appointment), a placement fee on Admission of 3.5 per cent. (excluding VAT) and a fee of 2.5 per cent. (excluding VAT) of the total transaction amount in relation to a trade sale. Such fees shall be payable if the relevant investment or sale takes place at any point during the appointment or within 36 months from the effective date of termination of the appointment. The appointment will terminate on Admission. Both parties are subject to confidentiality provisions. Directa Plus S.p.A. agrees to indemnify Hamilton Ventures from and against any losses suffered by Hamilton Ventures and its affiliates in connection with or otherwise in relation to or arising from any transaction contemplated by the engagement letter (except in the event of Hamilton Ventures' gross negligence or wilful misconduct). The indemnity survives termination of the engagement letter.

14.12 **Letter of comfort**

On 18 March 2015, the Company provided a letter of comfort to Directa Plus S.p.A (the "**Letter of Comfort**") under which the Company agreed unconditionally and irrevocably to provide Directa Plus S.p.A with adequate financial support, either in the form of a contribution of a loan, or another form of support, so as to ensure its business continuity.

The Letter of Comfort is effective until the date of the next general meeting of Directa Plus S.p.A, called to approve the annual accounts for the year ending on 31 December 2015, and is irrevocable for the duration of this period.

The Letter of Comfort cannot be transferred to another other natural or legal person without the prior written consent of the beneficiary, Directa Plus S.p.A.

The Letter of Comfort is governed by Italian law.

15. RELATED PARTY TRANSACTIONS

15.1 **Share Exchange Agreement**

See the information set out in paragraph 14.4 of Part V of this document.

15.2 **Convertible Loan Agreements**

Between August 2014 and February 2015, the Company entered into Convertible Loan Agreements with various lenders including Quadrivio Capital SGR. Further information on the terms of the Convertible Loans is set out at paragraph 14.7 of this Part V of this document.

15.3 **Shareholder loan from Quadrivio Capital**

On 30 September 2014 a shareholder loan was provided to the Company by Quadrivio Capital SGR the details of which are set out in paragraph 14.9 of this Part V of this document.

15.4 **Shareholders' agreement**

On or around 13 October 2014, the Company entered into a shareholders' agreement with the shareholders of the Company including Quadrivio Capital SGR and Galbiga Immobiliare S.r.l. (the "**Shareholders' Agreement**"). The Shareholders' Agreement will terminate on Admission.

16. LITIGATION

There are no, and during the 12 month period prior to the date of this document there have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Group is aware, which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or the Group.

17. TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident in the United Kingdom or Italy 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 UK and Italian legislation and practice.

Additional tax issues may exist in respect of whom the Ordinary Shares are considered employment related securities. Any person who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK or Italy, should consult his own professional adviser immediately.

UK taxation

17.1 Taxation of dividends

With effect from 6 April 2016, the taxation of UK dividends has changed so that the following rules will apply to UK resident individuals from the 2016/17 tax year.

No tax will be withheld on the payment of a dividend and there will be no tax credit. Investors will be taxed on the amount of dividends actually received. The first £5,000 of dividend income received by an individual in any tax year will be entirely exempt from UK income tax. The rates of tax payable over and above this will be 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment) and pension funds will not normally be liable to UK taxation on any dividend received.

17.2 Capital Gains

Shareholders who are resident for tax purposes in the United Kingdom may be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares, depending upon their individual circumstances and subject to any available exemption or relief.

A Shareholder who is not resident for tax purposes in the United Kingdom will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares disposed of are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. Such Shareholders may also be subject to tax under any law to which they are subject outside the United Kingdom.

United Kingdom resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on any disposals of Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£32,000 for 2016-17), the rate of capital gains tax will typically be 10 per cent. For gains (and any parts of gains) above that limit, the rate will typically be 20 per cent. For trustees and personal representatives, the rate will typically be 20 per cent. for gains above the applicable capital gains tax annual exempt amount.

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

17.3 Inheritance Tax

The Ordinary Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

17.4 Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("SDRT") position and do not apply to persons such as market makers, brokers, dealers or intermediaries. In relation to stamp duty and SDRT:

- 17.4.1 The allocation and issue of the Placing Shares will not give rise to a liability to stamp duty or SDRT.
- 17.4.2 Following Admission, the Ordinary Shares will be eligible securities traded on a recognised growth market (and not on any other recognised stock exchange) and accordingly no stamp duty or SDRT will be charged on the conveyance, transfer or sale of Ordinary Shares (nor will any stamp duty or SDRT be chargeable on any transfer of Ordinary Shares effected on a paperless basis through CREST) in accordance with the Finance Act 2014.

Italian taxation

17.5 Taxation of Dividends

Following reforms to the Italian tax regulations, the taxation of dividends is determined according to the residence of the shareholders and whether the class of share held by that shareholder is “qualified” or not. A shareholding is “qualified” if it represents 2 per cent. or more of the voting rights of the Company or 5 per cent. or more of the Company’s share capital.

17.5.1 Italian resident individual shareholder

An individual shareholder who is resident in Italy for tax purposes and who receives a dividend from the Company will be taxed in Italy.

If the individual Italian resident shareholder holds a “qualified shareholding”, 49.72 per cent. of any dividend distributed by the Company will be taxed in Italy. Under current rules, 49.72 per cent. of the dividend will be taxed at rates varying between 23 per cent. and 43 per cent. depending on the individual’s gross annual income.

If the individual Italian resident shareholder does not hold a “qualified shareholding”, any dividend paid to that shareholder shall be subject to withholding tax equal to 26 per cent. of the dividend.

If the individual Italian resident shareholder is engaged in a partnership, 49.72 per cent. of any dividend distributed by the Company shall be subject to tax at the individual’s applicable rate of income tax (regardless of whether the shareholder’s shareholding is qualified or not).

17.5.2 Italian resident corporate shareholder

A corporate shareholder resident for tax purposes in Italy and who receives a dividend from the Company will be subject to Italian tax on the dividend received. Only 5 per cent. of any dividend received is subject to taxation at a rate of 27.5 per cent. (which effectively means that the whole dividend is subject to a tax of 1.375 per cent.). This is regardless of whether the shareholding is qualified or not.

17.6 Taxation of Capital Gains

17.6.1 Italian resident individual shareholder

A disposal of Ordinary Shares by a shareholder who is resident in Italy for tax purposes may give rise to a charge for capital gains under the following terms.

An individual Italian shareholder who disposes of a “qualified shareholding” will be subject to tax on 49.72 per cent. of any capital gain. Under current rules, 49.72 per cent. of the capital gain will be taxed at rates of between 23 per cent. and 43 per cent. depending on the individual’s total gross annual income. The shareholder is obliged to file a tax return.

If an individual Italian resident disposes of a “non-qualified shareholding” any gain made by that shareholder shall be subject to withholding tax equal to 26 per cent. of the capital gain. No tax return has to be filed.

17.6.2 *Italian resident corporate shareholder*

A disposal of Ordinary Shares (regardless of whether the shareholding is qualified or not) by Italian resident corporate shareholders will not be subject to capital gains tax at 95 per cent. if the “participation exemption” is applicable. The principal conditions in order to qualify for this exemption are that (i) the shares are held by the shareholder continuously for at least 12 months prior to any disposal until (ii) the shares must be recorded in the first financial statements of the shareholders after the purchase as “financial assets” (iii) the company is not resident in a black list country and (iv) the company carries out a commercial activity. If the “participation exemption” is not applicable and the shares have been recorded in the last three financial statements as “financial assets”, the capital gains can be taxed, at the taxpayer’s option, in fully or in equal instalments for a maximum of 5 years. Italian resident corporate shareholders will be subject to tax on any gain at a rate of 27.5 per cent. (starting from 1 January 2017 the IRES tax rate is 24 per cent.).

The tax rates disclosed in these paragraphs are the ones in force by law at the date of this document. As a consequence the tax rates applicable in the future will be the ones provided by law at that moment.

17.7 **Estate and Gift Tax**

17.7.1 *Italian resident individual shareholder*

The transfer of Ordinary Shares by way of gift or upon the death of an Italian resident individual is subject to any estate or gift taxation depending on the closeness of the family relationships and on the value of the whole estate (with only amounts over €1 million subject to the tax if the beneficiary is the spouse, son or parent of the donor).

17.7.2 *Italian resident corporate shareholder*

Italian estate and gift tax is not directly applicable to corporate shareholders.

17.8 **Transfer Tax**

Under Italian law, a transfer of shares is subject to Stock Exchange Tax (also called “Tobin Tax”) at 0.2 per cent. of the transfer price. If the shares are related to a company listed on a stock market, the percentage is 0.1 per cent.

Neither stamp duty nor registration tax is due on the transfer.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK or Italy, you should consult your professional adviser. The comments set out above are intended only as a general guide to the current tax position in the UK and Italy at the date of this document. The rates and basis of taxation can change and will be dependent on a Shareholder’s personal circumstances. Neither the Company nor its advisers warrant in any way the tax position outlined above, which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

18. **WORKING CAPITAL**

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

19. **GENERAL**

19.1 The gross proceeds of the Placing receivable by the Company are expected to be approximately £12.8 million, with net proceeds expected to be approximately £11.0 million. The total costs and expenses relating to Admission and the Placing payable by the Company are estimated to be approximately £1.8 million.

- 19.2 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. All the Placing Shares have been placed firm with placees. The Placing is not being guaranteed or underwritten by any person.
- 19.3 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 17 June 2016, application monies will be returned to the Placees at their risk without interest.
- 19.4 The Placing Price represents a premium over nominal value of 74.75p per Ordinary Share.
- 19.5 Cantor Fitzgerald, the nominated adviser and broker to the Company, is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Cantor Fitzgerald 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.
- 19.6 BDO LLP, the reporting accountant to the Company, is a member firm of the Institute of Chartered Accountants in England and Wales. BDO LLP has given and not withdrawn its written consent to the inclusion in this document of its report set out in Section A of Part III and accepts responsibility for the same pursuant to Schedule Two of the AIM Rules for Companies.
- 19.7 Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.8 The percentage dilution as a result of the issue of the New Shares, is 119.7 per cent.
- 19.9 The accounting reference date of the Company is 31 December.
- 19.10 It is expected that definitive share certificates will be despatched by hand or first class post by 10 June 2016. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited at 10.30 a.m. on 26 May 2016 in respect of the First Tranche Placing Shares and 8.00 a.m. on 27 May 2016 in respect of the remainder of the Ordinary Shares.
- 19.11 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 19.12 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular industrial, commercial or financial contracts which are or may be of fundamental importance to the Company's business.
- 19.13 Save as disclosed in this document, the Group has not made any investments since 31 December 2015 up to the date of this document, nor are there any investments by the Group in progress or anticipated which are significant.
- 19.14 Save as disclosed in this document, there have been no significant changes in the trading or financial position of the Group since 31 December 2015, being the date to which the financial information on the Group set out in Section B of Part III was made up.
- 19.15 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.
- 19.16 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or 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 advisers 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 at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

19.17 Directors' and Officers' liability insurance and Public Offering of Securities insurance has been effected by the Company in respect of each of the Directors for aggregate sums assured of respectively £10 million and £15 million.

19.18 The ISIN number for the Ordinary Shares is GB00BSM98843.

19.19 Pursuant to Chapter 5 of the DTRs a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the DTRs. Certain voting rights held by investment managers, unit trusts, open ended investment companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

20. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge at the offices of the Company's solicitors, Fox Williams LLP, 10 Finsbury Square, London, EC2A 1AF, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for at least one month after Admission. An electronic version of this document will also be available to download from the Company's website, www.directaplus.com from Admission.

24 May 2016

GLOSSARY OF TECHNICAL TERMS

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

| | |
|--|--|
| “allotrope” | one or more forms of an elementary substance; for example diamond and graphite are allotropes of carbon |
| “CNT” | carbon nanotube |
| “composite” | a material made by combining two or more dissimilar materials to create a product that exhibits characteristics combining the attributes of the constituents; the constituents remain as discrete phases |
| “CVD” | chemical vapour deposition, a process whereby a volatile species is deposited or condensed onto a surface substrate |
| “disperse” | to separate and move apart in different directions without order or regularity |
| “exfoliation” | the separation of layers of material; typically by chemical, thermal or mechanical mechanisms when preparing graphene from graphite |
| “functionalisation” | functionalisation of nanomaterials provides a means by which the surface chemistry of the materials may be modified |
| “GNP’s” | graphene nanoplatlets, being short stacks of platelet shaped graphene sheets |
| “graphene” | graphene is a flat monolayer (a 2D material) of carbon atoms, arranged in a hexagonal pattern (a honeycomb crystal lattice). The term graphene is generally accepted to apply to materials up to ten layers thick |
| “graphite” | an allotrope of carbon with an order structure of atoms in a regular hexagonal 2D array weakly bonded with adjacent layers to produce an anisotropic material; can be either naturally occurring or artificially generated by the heat treatment of appropriate carbon precursors |
| “g/l” | gram per litre |
| “high aspect ratio nanomaterial or HARN” | a material where one or two of the three dimensions of a particle are much smaller than the other dimension(s) and where any of these dimensions are in the nanometer range (10^{-9} m); fibres are an example of a high aspect ratio material |
| “ISO 9001” | the standard, developed and published by the International Organisation for Standardisation, that define, establish, and maintain an effective quality assurance system for manufacturing and service industries. ISO 9001 deals with the requirements that organisations wishing to meet the standard must fulfil |
| “Kilo” | kilogramme or kg |
| “KW” | kilowatts |
| “LED” | light-emitting diode |
| “m” | metre, a unit of length |

| | |
|--------------------------|--|
| “micrometer” | unit of length, (10^{-6}) one millionth of a meter |
| “multi-walled nanotubes” | concentric cylinders with an internal diameter the order of a nanometer (10^{-9} m) |
| “nanomaterial” | a material or particle where one of the three dimensions in the nanometer range (10^{-9} m), but typically less than 100 nanometers |
| “nanometer” | unit of length, equal to one billionth of a metre (10^{-9} m) |
| “nanoparticles” | particles between 1 and 100 nanometers in size |
| “nanotube” | a cylindrical structure, with a diameter the order of a typically under 2 nanometer (10^{-9} m) |
| “particle” | a particle is defined as a small object that behaves as a whole unit with respect to its transport and properties |
| “patent family” | a “patent family” refers to a group of patent applications and/or granted patents in one or more territories which relate to a common invention. More specifically, they derive from the same “priority” filing date |
| “plasma” | plasma is one of the four fundamental states of matter – the others being solids, liquids and gas |
| “polymer” | a large molecule composed of repeated subunits (monomers) |
| “ppm” | parts per million |
| “precursor” | a compound that participates in a chemical reaction and produces another compound |
| “proprietary” | the ownership by Directa Plus of know-how and/or pending patent application(s) in respect of the process and product |
| “substrate” | a surface of a material on which a process is conducted and/or a support for deposited materials |
| “tonne” | metric ton with a mass equal to 1,000 kilograms |
| “t/a” | tonnes per annum |

All references to legislation in this document are to the legislation of I unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

DEFINITIONS

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

| | |
|--|---|
| “Act” | the Companies Act 2006 (as amended) |
| “Admission” | admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules for Companies |
| “Admission Document” or “document” | this document dated 24 May 2016 |
| “AIM” | the market of that name operated by the London Stock Exchange |
| “AIM Rules for Companies” | the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM |
| “Articles” | the articles of association of the Company as at the date of Admission |
| “Audit Committee” | the audit committee of the Board, as constituted from time to time |
| “Awards” | performance shares or market value share options granted, or to be granted under the Share Schemes |
| “Board” | the board of Directors of the Company from time to time, or a duly constituted committee thereof |
| “Cantor Fitzgerald Europe” | Cantor Fitzgerald Europe, nominated adviser and broker to the Company |
| “certificated” or “in certificated form” | recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST) |
| “City Code” | The UK City Code on Takeovers and Mergers |
| “Convertible Loans” | the convertible loans granted by the Lenders to the Company pursuant to the terms of the Convertible Loan Agreements |
| “Convertible Loan Agreements” | convertible loan agreements entered into between the Company and the Lenders, further details of which are set out in paragraph 14.7 of Part V of this Admission Document |
| “Company” or “Directa Plus” | Directa Plus plc, a company incorporated in England and Wales with company number 04679109 |
| “CREST” | the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland |
| “CREST Regulations” | the Uncertificated Securities Regulations 2001(SI2001 no. 3755), as amended, and any applicable rules made under those regulations |
| “Directors” | the directors of the Company as at the date of this document, whose details are set out on page 5 of this document |

| | |
|--|--|
| “Director Locked-in Parties” | Sir Peter Middleton, Marco Ferrari, Neil Warner, David Gann and Luca Lodi-Rizzini |
| “Director Lock-in Agreement” | the lock-in and orderly market agreement entered into between the Company, Cantor Fitzgerald and each of the Director Locked-In Parties, further details of which are set out in paragraph 14.3 of Part V of this document |
| “EIS” | The Enterprise Investment Scheme |
| “Employees’ Share Scheme” | the share scheme adopted by the Company for the benefit of employees and the executive Directors |
| “Enlarged Share Capital” | the entire issued Ordinary Share capital of the Company as enlarged by the issue of the New Shares |
| “Euroclear UK & Ireland” | Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738 and the operator of CREST |
| “Existing Ordinary Shares” | the Ordinary Shares in issue immediately prior to the issue of the New Shares |
| “FCA” or “Financial Conduct Authority” | the Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulations of firms which are not regulated by the PRA |
| “First Tranche Placing Shares” | 5,751,997 New Placing Shares proposed to be issued by the Company to certain EIS and VCT investors |
| “FSMA” | the Financial Services and Markets Act 2000 (as amended) |
| “Galbiga/Cesareo Lock-in Agreement” | the lock-in and orderly market agreement entered into between the Company, Cantor Fitzgerald and each of Galbiga Immobiliare S.r.l. and Giulio Cesareo, further details of which are set out in paragraph 14.3 of Part V of this Admission Document |
| “Group” | the Company and its subsidiary undertakings |
| “HMRC” | Her Majesty’s Revenue & Customs |
| “IFRS” | International Financial Reporting Standards (including International Accounting Standards) |
| “IP” | intellectual property |
| “ISIN” | International Securities Identification Number |
| “Lenders” | the lenders pursuant to the Convertible Loan Agreements |
| “Loan Conversion Shares” | the Ordinary Shares to be issued to those Lenders who have exercised their right to convert their Convertible Loans to Ordinary Shares pursuant to the terms of the Convertible Loan Agreements |
| “London Stock Exchange” | London Stock Exchange plc |
| “NED Share Scheme” | the share scheme adopted by the Company for the benefit of the Non-Executive Directors |

| | |
|---------------------------------|---|
| “New Placing Shares” | 17,033,334 new Ordinary Shares to be issued pursuant to the Placing |
| “New Shares” | the New Placing Shares and the Loan Conversion Shares |
| “Official List” | the official list of the UK Listing Authority |
| “Ordinary Shares” | ordinary shares of 0.25 pence each in the capital of the Company |
| “Panel” | The UK Panel on Takeovers and Mergers |
| “Placees” | the subscribers for Placing Shares pursuant to the Placing |
| “Placing” | the conditional placing of the Placing Shares by Cantor Fitzgerald Europe, as agent for the Company and the Selling Shareholder, pursuant to the Placing Agreement |
| “Placing Agreement” | the conditional placing agreement dated 24 May 2016 between (amongst others) (1) the Company, (2) the Directors, (3) the Selling Shareholder and (4) Cantor Fitzgerald Europe relating to the Placing |
| “Placing Price” | 75 pence per Placing Share |
| “Placing Shares” | the New Placing Shares and the Sale Shares |
| “Prospectus Rules” | the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA |
| “QCA Corporate Governance Code” | QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance |
| “RIS” | Regulatory Information Service |
| “Sale Shares” | the 300,000 Existing Ordinary Shares to be conditionally placed pursuant to the Vendor Placing |
| “Second Tranche Placing Shares” | the New Placing Shares other than the First Tranche Placing Shares |
| “Second Tranche Shares” | the Second Tranche Placing Shares and the Sale Shares |
| “Selling Shareholder” | Galbiga Immobiliare S.r.l. |
| “Share Exchange Agreement” | the share exchange agreement entered into on 13 October 2014 between the Company and each of the other shareholders of Directa Plus S.p.A., further details of which are set out in paragraph 14.4 of Part V of this Admission Document |
| “Share Schemes” | the Employees’ Share Scheme and the NED Share Scheme |
| “Shareholder(s)” | holders of Ordinary Shares |
| “Shareholder Locked-in Parties” | William David Cate, Robert Angelo Mercuri, Paul Calarco, Jean-Marc Droulers, Como Venture S.r.l. and Quadrivio Capital SGR |
| “Shareholder Lock-in Agreement” | the lock-in and orderly market agreement entered into between the Company, Cantor Fitzgerald and each of the Shareholder Locked-In Parties, further details of which are set out in paragraph 14.3 of Part V of this Admission Document |
| “Takeover Code” | The City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel on Takeovers and Mergers |

| | |
|--|---|
| “UK” | the United Kingdom of Great Britain and Northern Ireland |
| “UK Listing Authority” | the FCA, acting in its capacity as the competent authority for the purposes of FSMA |
| “uncertificated” or “in uncertificated form” | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| “USA” | the United States of America and all of its territories and possessions |
| “VAT” | value added tax |
| “Vendor Placing” | the conditional placing of the Sale Shares by Cantor Fitzgerald Europe, as agent for the Selling Shareholder, pursuant to the Placing Agreement |
| “Vittoria” | Vittoria Investments Limited |
| “£” or “Sterling” | British pounds sterling |
| “€” or “EUR” or “Euro” | Euro |
| “\$” or “USD” | United States dollar |

