

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA"), if you are a resident in the United Kingdom or, if you are not a resident in the United Kingdom, from another appropriately authorised independent financial adviser.**

Application has been made for the entire issued and to be issued share capital of 4d pharma plc, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 18 February 2014. The Existing Ordinary Shares are not dealt in any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies published by London Stock Exchange Plc (the "AIM Rules"), to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange Plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange Plc have examined or approved the contents of this Document.**

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This copy of this Document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of 4d pharma plc. 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 the Financial Conduct Authority ("FCA") pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT and the registered office of the Company, 74 Gartside Street, Manchester, Greater Manchester, M3 3EL, from the date of this Document until one month from the date of Admission in accordance with the AIM Rules.

The Directors, whose names appear on page 5 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such Document.

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# 4D PHARMA PLC

*(Incorporated in England and Wales under the Companies Act 2006 with registered number 08840579)*

## **Placing of 16,550,000 new Ordinary Shares at a price of 100p per share and Admission to AIM**

***Nominated Adviser and Broker***

*Zeus Capital*

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### **SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

	<i>Number</i>	<i>Issued and fully paid</i>	<i>Amount £</i>
Ordinary shares of 0.25p each	36,550,000		91,375

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The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 18 February 2014 (or such later date as the Company and Zeus Capital may agree, being not later than 28 February 2014). The Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Share Capital to be admitted to the Official List of the UK Listing Authority or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

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

The distribution of this Document outside the UK may be restricted by law. No action has been taken by 4d pharma plc or Zeus Capital Limited that would permit a public offer of shares in 4d pharma plc or possession of this Document where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdictions.

#### **Publication on website and availability of hard copies**

Copies of this Document are available, free of charge, from the Company's registered office and at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT, from the date of this Document until one month from Admission. You may request a hard copy of this Document and all other information, documents and announcements by Zeus Capital on +44 (0)161 831 1512. This Document will also be available for download from the Company's website, [www.4dpharmapl.com](http://www.4dpharmapl.com).

#### **The reading of the summary cannot substitute for the reading of the entire Document.**

#### **Forward – looking statements**

This Document includes "forward-looking statements" which includes all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those in forward-looking statements include those factors in Part II entitled "Risk Factors" and elsewhere in this Document. These forward-looking statements speak only as at the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Document may not occur.

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## EXPECTED ADMISSION STATISTICS AND TIMETABLE

### Admission Statistics

Number of Existing Ordinary Shares in issue at the date of this Admission Document	20,000,000
Number of Placing Shares	16,550,000
Number of Ordinary Shares in issue following Admission	36,550,000
Placing Price	100p
Market capitalisation of the Company at the Placing Price on Admission	£36.55 million
Gross proceeds of the Placing	£16.55 million
ISIN	GB00BJL5BR07
AIM symbol	DDDD

### Timetable

Admission Document publication date	11 February 2014
Admission to trading on AIM effective and commencement of dealings in the Ordinary Shares	8.00 a.m. on 18 February 2014
CREST accounts credited (where applicable)	18 February 2014
Dispatch of definitive share certificates (where applicable)	4 March 2014

## DIRECTORS, SECRETARY AND ADVISERS

Directors	David Robert Norwood ( <i>Non-Executive Chairman</i> ) Duncan Joseph Peyton ( <i>Chief Executive Officer</i> ) Alexander James Stevenson ( <i>Chief Scientific Officer</i> ) Thomas Engelen ( <i>Non-Executive Director</i> )
Company Secretary	Laurence Dale
Registered Office	74 Gartside Street Manchester M3 3EL
Nominated Adviser and Broker	<b>Zeus Capital Limited</b> 23 Berkeley Square Mayfair London W1J 6HE  and  3 Ralli Courts West Riverside Manchester M3 5FT
Reporting Accountants And Auditors	<b>KPMG LLP</b> St James' Square Manchester M2 6DS
Solicitors to the Company	<b>Schofield Sweeney LLP</b> Springfield House 76 Wellington Street Leeds LS1 2AY
Solicitors to the Nominated Adviser and Broker	<b>BPE Solicitors LLP</b> St James' House St James' Square Cheltenham GL50 3PR
Registrars	<b>Capita Registrars Ltd</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

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

“Act”	the Companies Act 2006
“Admission”	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the rules of the London Stock Exchange that set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published and amended by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange that set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published and amended by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company
“Company” or “4d pharma”	4d pharma plc, a company incorporated in England and Wales with registered number 08840579
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council as in force from time to time
“CREST”	the relevant system (as defined in the CREST Regulations) in accordance with which securities may be held or transferred in uncertificated form, and in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended, and any applicable rules made under those regulations
“Document” or “Admission Document”	this Document
“DTR”	the Disclosure and Transparency Rules as published by the FCA as in force from time to time
“Enlarged Share Capital”	the Existing Ordinary Shares and the Placing Shares
“Euroclear”	Euroclear UK & Ireland Limited, the operator of Crest
“Existing Ordinary Shares”	the existing Ordinary Shares as at the date of this Document
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“GT Biologics”	GT Biologics Limited, a company incorporated and registered in Scotland with company number SC336222
“IP”	intellectual property

“London Stock Exchange”	London Stock Exchange Plc
“Ordinary Shares”	ordinary shares of 0.25 pence each in the capital of the Company
“Placing”	the placing of the Placing Shares by Zeus Capital as agent for the Company pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 February 2014 between the Company, Zeus Capital and the Directors, a summary of which is set out in paragraph 10.1 of Part V of this Document
“Placing Price”	100 pence per Placing Share
“Placing Shares”	16,550,000 new Ordinary Shares to be issued pursuant to the Placing at the Placing Price
“Shareholders”	holders of Ordinary Shares from time to time
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as a competent authority for the purposes of Part VI of FSMA
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with company number 04417845, authorised and regulated by the FCA

In this Document use of the singular includes the plural and vice versa, unless the context otherwise requires.

**PART I**

**INFORMATION ON THE COMPANY**

**4D PHARMA PLC**

**1. Introduction**

4d pharma is a newly formed pharmaceutical company focusing on significant new therapeutic areas. The Company will develop pharmaceutical assets utilising management's expertise.

The Board has worked together on a number of projects in the recent past and has an outstanding track record in bringing world class research through development to market in the pharmaceutical sector, delivering significant shareholder growth.

They believe they will be able to build a valuable company with a portfolio of projects by targeting platform assets in new therapeutic areas that demonstrate defined patient populations with unmet needs and a clear, rapid regulatory pathway.

Each member of the Board has a global network of contacts in this sector and a track record which they believe will attract the very best assets. The Company has already secured a project, in the field of live biotherapeutics and microbiomics, that could bring a product in a new, major class of therapeutics to market. There are also a number of ongoing discussions for projects in other areas which the Board believes will generate significant value for Shareholders.

The Company proposes to raise £16.55 million gross, through the placing of 16,550,000 new Ordinary Shares at 100p per share and apply for the Enlarged Share Capital to be admitted to AIM. Dealings are expected to commence on 18 February 2014.

David Norwood, Duncan Peyton, Alex Stevenson and Thomas Engelen will, in aggregate, have an interest in 20,000,000 Ordinary Shares representing 54.72 per cent. of the Enlarged Share Capital, which will align their interests with, and incentivise them to deliver growth, for the benefit of all Shareholders.

**2. Background and Strategy**

It is often presented that, with an ageing population and a requirement for higher quality medical care, there is an increasingly strong demand for new and innovative medicines.

Further, research in larger pharmaceutical companies has not generated the necessary platform for new discoveries. With the average internal rate of return from research and development in big pharma declining to 7.2 per cent. the industry is barely covering its average cost of capital, estimated at around 7 per cent. In recent years, the sector has experienced significant and ongoing restructuring, including the closure of many research facilities.

Whilst the return generated by research spend continues to come under scrutiny within the sector, innovation remains strong in research institutions and smaller biotechnology companies. In addition, advances in molecular biology and other areas of research are enabling scientists to understand, control and treat disease in ways that were not previously possible.

The Directors recognise that while the concept of taking ground breaking science and research to a commercial product seems simple, it is actually difficult to achieve in reality and the pharmaceutical sector is characterised by high failure rates and high product development costs. The Directors also believe that there is a difficulty in accessing finance for innovative research-focussed companies.

As the pharmaceutical industry becomes increasingly reliant on third parties for research and development programmes, the Directors believe that these market conditions will provide considerable opportunities for the Company. Further, based on their significant experience, it is the Directors' opinion that a focused plan based around simple principles will enable the Company to fund a number of opportunities and translate these into viable assets with significant value.

The Company's plan is a simple four step process:

*Discover:* The Directors believe that their relationships with individuals as well as institutions, together with their track record, will attract world class assets to the Company. The Company will focus on looking for platform assets in new therapeutic areas with unmet needs in defined patient populations, which they believe have a clear rapid regulatory route. The Directors will avoid subscale assets, only targeting those which they believe to have potential to address markets of \$1 billion or more.

*Deal:* The Company intends to acquire the maximum possible stake in every asset, which the Directors believe enables greater control and, ultimately, greater value. The Company will seek opportunities with the greatest possible arbitrage potential as it is the experience of the Directors that there is little correlation between price paid and potential downstream value.

*Develop:* Development can lead to significant expense which may not always lead to a proportionate increase in the value of the asset. The Board believes that by identifying and delivering early proof of concept milestones, with strict corporate discipline, the Company will be able to better deliver value uplifts.

*Deliver:* By focussing on early proof of concept milestones, the Board believe they will generate value uplifts or otherwise identify the evidence to discontinue projects quickly. At this point the focus will turn to partnering the project, either with industry or further capital, aiming to maximise the interest and value in any project.

### **3. Live Biotherapeutics and Microbiomics**

The Directors believe that the Company's first programme, in the field of live biotherapeutics, exemplifies the approach. Live biotherapeutics are a new class of medicine, exploiting recent advances in our understanding of how the bacteria naturally present in one's body play a pivotal role in developing and controlling our immune system and other aspects of our health. The Company intends to be at the forefront of this development, which the Directors believe represents a significant commercial opportunity.

Gut bacteria influence the function of systems in the body from the immune system to the nervous system. Crucially, gut bacteria are critical to the proper development and function of the human immune system and the importance of the microbiota as a contributing factor in the development of inflammatory and autoimmune diseases is now well recognised. For example, altered microbial diversity (loss of beneficial bacteria and increase in pathogenic bacteria) can exacerbate disease symptoms and such altered microbial diversity has now been convincingly demonstrated in several human diseases including inflammatory bowel disease (IBD) and type 1 diabetes.

The autoimmune market, currently estimated to reach \$61bn by 2017, mainly consists of therapies that suppress the immune system leading to a number of potentially serious side effects. For example, Remicade, a treatment for several autoimmune conditions (including Paediatric Crohns) has annual sales of over \$7bn per annum, despite having a label that identifies serious infections and certain types of cancer as possible side effects.

Medically accessible, the microbiome presents the opportunity to discover and develop a rich source of new drugs. 4d pharma has recently acquired its first asset in this field, a 46 per cent. stake in GT Biologics. This company has developed a platform for the discovery and development of novel live biotherapeutics and also has a patented lead candidate in pre-clinical development for the treatment of an important inflammatory disease. Duncan Peyton, Alex Stevenson and Thomas Engelen are members of the board of GT Biologics and are working closely with GT Biologics management team and scientists to exploit the potential of its technology platform.

The most advanced product within this programme, Thetanix™, comprises a naturally occurring bacteria found in the gut of healthy individuals. It exhibits potent anti-inflammatory activity and has demonstrated potential therapeutic utility in preclinical models of human IBD.

Mode of action for this anti-inflammatory bacterium are defined and patents protecting the medical exploitation of Thetanix™ have been granted in the major territories. GT Biologics has recently secured orphan drug designation in the United States for the treatment of Paediatric Crohn's Disease (PCD).

Having identified the core technology, the Directors have worked with the founding scientists at GT Biologics to strengthen the management team, identify key development steps and map out a regulatory strategy designed to lead to the fastest possible proof of concept and approval. The Directors will also seek complementary assets and technologies in the live biotherapeutic field to build a strong franchise in this area, which will be developed under the name of Microbiomics.

The Directors believe that the market opportunity for clinically relevant live biotherapeutics is significant, potentially providing safer, naturally occurring treatments for major autoimmune diseases.

#### **4. The Directors**

The Directors have a proven record of rapidly creating shareholder value in healthcare businesses. Over the last decade the Board have been involved in creating value in some notable companies in the healthcare sector. In a number of cases they have worked together as co-investors advisors or directors, finding, funding and helping to develop the opportunities. Examples of some of the companies are given below.

*OXFORD NANOPORE TECHNOLOGIES LIMITED* – Founded by IP Group plc in 2005, Oxford Nanopore is developing a new generation of sequencing and analysis systems for DNA, RNA and proteins. Since inception, the company has raised over £145m with the most recent investment valuing the company at over £530m. David Norwood helped to identify the opportunity and became chairman at company formation. He subsequently helped recruit the board and shaped company strategy, leading the company through significant funding rounds and preparing the framework deal with Illumina Inc.

*PROXIMAGEN GROUP LIMITED* – Founded in 2003 and funded by IP Group plc in 2004, Proximagen is focused on the development and commercialisation of novel therapeutics for diseases of the central nervous system. David Norwood identified the opportunity and negotiated with the founding scientist from King's College. He went on to advise the company from inception to a successful IPO, which saw the company build a strong shareholder base who supported them right up to trade sale. The company was sold to Upsher-Smith in 2012 in a deal that valued it at up to £356m.

*NANOCO GROUP PLC* – Nanoco is the first company to be able to manufacture large quantities of quantum dots, nanomaterials, with a wide variety of applications, including biological imaging and diagnostics. Duncan Peyton, soon after he founded Aquarius Equity in 2005, identified and negotiated an investment in the company, subsequently helping to recruit the board, shape company strategy and bring in a number of additional investors, including David Norwood. Nanoco was admitted to AIM in 2009 with a market capitalisation of £38.6m and, as of 3 February 2014, had a market capitalisation of £249.01m.

*RETROSCREEN VIROLOGY GROUP PLC* – Retroscreen is a leading clinical virology contract research organisation. Following an investment from IP Group plc in 2006, Aquarius Equity led an investment round in 2009, with Duncan Peyton joining the board. David Norwood joined Retroscreen as Chairman in 2011 and the company went on to list on AIM in 2012 with a market capitalisation of £32m. The company, as of 3 February 2014, had a market capitalisation of £156.88m.

*TISSUE REGENIX GROUP PLC* – Founded by IP Group plc, Tissue Regenix is developing replacement body parts from biological materials, using a proprietary decellularisation process. Alex Stevenson identified the opportunity from research being carried out at the University of Leeds and joined the board of the company in 2007, upon an investment made by IP Group plc and Aquarius Equity. He subsequently helped to recruit the management team and shape company strategy, working closely with Duncan Peyton. The company was admitted to AIM in 2010 with a market capitalisation of £23m. The company, as of 3 February 2014, has a market capitalisation of £146.79m.

*AURALIS LIMITED* – Auralis specialised in the development of niche, non-brand pharmaceuticals for which there is a critical need. Duncan Peyton identified and made the investment, joining the board and working along with Alex Stevenson to broaden the management team and develop corporate strategy. Aquarius Equity were the sole investors in Auralis from 2007 through to its trade sale in 2010 to ViroPharma, delivering a 7 fold return.

**David Norwood (Chairman, aged 45)**

David has had a long career building a number of science, technology and investment companies. He is the founder of IP Group plc, one of the UK's leading technology commercialisation businesses and a shareholder in the Company. Previously, he was Chief Executive of stockbroker Beeson Gregory (acquired by Evolution Group plc) after it acquired IndexIT Partnership, a technology advisory boutique he had founded in 1999.

He was a founding shareholder of Evolution Group plc (recently acquired by Investec), and also co-founder of Ora Capital plc.

He has been a founder and director of many UK technology companies including Oxford Nanopore Technologies Ltd, Proximagen Ltd, Synairgen plc, Ilika Technologies Ltd, Oxford Catalysts and Plectrum Petroleum (acquired by Cairn Energy plc). He has also acted as seed investor and/or advisor to Wolfson Microelectronics Ltd, Nanoco Technologies Ltd, Tissue Regenix Group plc and Arc International (now part of Synopsys). He is also Non-Executive Chairman of Oxford Pharmascience Group plc.

**Duncan Peyton (CEO, aged 44)**

Duncan has a proven track record in identifying, investing and growing business within the pharmaceutical sector.

He was the founder of Aquarius Equity, a specialist investor in businesses within the life science sector, which provided investors' access to innovative, high growth potential companies that delivered significant capital growth.

Duncan started his career in a bio-science start-up business, which ultimately went on to list on the London Stock Exchange, subsequently qualified as a corporate finance lawyer with Addleshaw Goddard, then Addleshaw Booth & Co, and later joined 3i plc as an investment manager.

Duncan founded Aquarius in 2005, which made founding investments into Nanoco Technologies Ltd, Auralis Limited (subsequently sold to ViroPharma) and Tissue Regenix Group plc.

**Alex Stevenson PhD (CSO, aged 42)**

Alex began his career as a scientist, working in research and for a NYSE quoted drug development company, before moving into early stage pharmaceutical and healthcare investments. He has fulfilled board level investment and operational management roles.

He was a director and shareholder in Aquarius Equity from 2008, where he was responsible for identifying new investments and developing and implementing scientific strategies both pre and post investment. Prior to joining Aquarius Equity, Alex worked for IP Group plc where he specialised in life science investments, identifying, developing and advising a number of companies in its portfolio, some of which went on to list on AIM. He joined IP Group following its acquisition of Techtran Group Ltd in 2005.

**Thomas Engelen (non executive, aged 55)**

Thomas is also non executive chairman at Akcros Holdings Ltd, GT Biologics, Penlan Healthcare and Quantum Pharmaceutical. Thomas has been a founder and/or non-executive director of a number of UK Life Sciences companies including Colonis Pharma Ltd, Warneford Partners Ltd and Martindale Pharma Ltd.

Thomas has supported private equity and other investors in over 50 potential deal transactions, on targets in Europe and the USA, from cash constrained / chapter 11 to cash-rich with EV of up to \$1B.

Before this Thomas worked in life sciences for over 20 years in senior executive roles. Starting in 1987 at Akzo nobel Pharma he worked with hospital products, diagnostics and medical equipment as General Manager for Middle East & Africa. After this he led Rosemont Pharmaceuticals in Leeds in niche oral liquid medicines, followed by being President of Organon in Brazil. He was promoted to VP The Americas, and lastly to CMO at Organon, in charge of the global product portfolio, based in the USA. Returning to Europe he led Novartis Consumer Health in the UK.

## **5. Placing**

The Company has raised £16.55 million, before expenses, by way of a placing of the Placing Shares at the Placing Price. The Placing is conditional, *inter alia*, upon Admission. The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 18 February 2014 (or such later date as the Company and Zeus Capital may agree, being not later than 28 February 2014).

The net funds raised will be used for working capital whilst the Board seek suitable assets and, where applicable, acquisitions in line with the Company's mission statement. Pursuant to the Placing Agreement, entered into between Zeus Capital, the Company and the Directors, the Company and Directors have given certain warranties and the Company has given an indemnity to Zeus Capital. Further details of the Placing Agreement are set out in paragraph 10.1 of Part V of this Document.

## **6. Reasons for Admission**

The Directors believe they will be able to build a valuable company with a portfolio of projects by targeting assets in new therapeutic areas that address defined patient populations with unmet needs and a clear, rapid regulatory pathway.

The Company is raising £16.55 million, gross, through the Placing and is now seeking Admission of its Enlarged Share Capital to order to execute its business plan.

## **7. Corporate Governance and internal controls**

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Company. As the Company grows, the Directors intend that the Company should develop policies and procedures which reflect the principles set out in the Corporate Governance Code, to the extent that they are appropriate to the size of the Company.

The Company will, upon Admission, have an Audit and Risk Committee and a Remuneration Committee. The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination Committee. However, this will be kept under regular review by the Board.

The Audit and Risk Committee will have Thomas Engelen as Chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit and Risk Committee will meet at least twice a year. David Norwood will be the other member of the Audit Committee.

The Remuneration committee will have Thomas Engelen as Chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. David Norwood will be the other member of the Remuneration Committee.

The Directors understand the importance of complying with the AIM Rules for Companies relating to Directors' dealings and has established a share dealing code which is appropriate for an AIM quoted company.

## **8. Dividend Policy**

The Company has not yet commenced trading and the Directors believe that it is inappropriate to give an indication of the future dividend policy.

## **9. Taxation**

Information regarding taxation in relation to the Admission is set out in paragraph 14 of Part V of this Document. If you are in any doubt as to your tax position you should consult your own professional adviser immediately.

## **10. Lock-in arrangements**

On Admission, the Directors will be interested in 20,000,000 Ordinary Shares representing approximately 54.72 per cent. of the Ordinary Shares.

Given that the Company has not been revenue-earning for two years, the Company is required to ensure that no Directors or other related parties at the date of Admission will be able to dispose of any interest in Ordinary Shares for a period of 12 months from Admission in accordance with Rule 7 of the AIM Rules for Companies, subject to the exceptions set out in Rule 7. Accordingly the Company has entered into the lock in and orderly market agreements, further details of which are set out in paragraph 10.2 of Part V of this Document, under which the Directors have agreed not to dispose of any interest in Ordinary Shares for a period of 12 months from Admission, and otherwise on the terms set out in the said paragraph.

## **11. Financial Information**

The Directors draw your attention to Parts III and IV of this document which contains historical financial information on Schosween 18 Limited and GT Biologics.

## **12. CREST**

The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. Application has been made for the Enlarged Share Capital to be admitted to CREST upon the commencement of dealings on AIM.

## **13. Risk factors**

**Your attention is drawn to the risk factors set out in Part II of this Document and potential investors should carefully consider these risks before making a decision to invest in the Company.**

## PART II

### RISK FACTORS

**The attention of prospective investors is drawn to the fact that ownership of Ordinary Shares in the Company will involve a variety of risks which, if any of them occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment. Investors should also be aware of the risks associated with an investment in a business which is in the early stages of development.**

**In addition to the information set out in this Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be other additional risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.**

#### **RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE COMPANY**

##### **The Company is a new company with no operating history**

The Company was incorporated on 10 January 2014 and, since that date, has not commenced operations and so does not have a track record or operating history, nor does it have any material assets or liabilities. Accordingly, as at the date of this Admission Document, the Company has limited financial statements and/or meaningful historical financial data upon which prospective investors may base an evaluation of the Company. The Company is therefore subject to all of the risks and uncertainties associated with any new business enterprise including the risk that the Company will not achieve its objectives and that the value of an investment in the Company could decline and may result in the total loss of all capital invested. The past performance of companies, assets or funds managed by the Directors, or persons affiliated with them, in other ventures in the healthcare sector or otherwise, is not necessarily a guide to the future business, results of operations, financial condition or prospects of the Company.

##### **Reliance on the retention of Directors and consultants**

The Company will rely heavily on a small number of key individuals, in particular the Directors, to identify, develop and manage suitable assets, companies and/or businesses. The retention of their services cannot be guaranteed. Accordingly the loss of any of such key individuals may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

##### **Identifying and acquiring suitable assets**

The Company's performance will be limited by its ability to identify and acquire suitable assets. Suitable opportunities may not always be readily available. The Company's initial and future strategy may be delayed or made at a relatively slow rate because, *inter alia*:

- the Company intends to conduct detailed due diligence prior to approving any project;
- the Company may conduct extensive negotiations in order to secure and facilitate a project;
- it may be necessary to establish certain structures in order to facilitate a project;
- competition from other investors, market conditions or other factors may mean that the Company cannot identify attractive projects or such projects may not be available at the rate the Company currently anticipates;
- the Company may be unable to raise bank finance on terms the Directors consider reasonable; or

- the Company may need to raise further capital to make acquisitions and/or fund the assets or businesses invested in, which may in turn have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

As detailed above, the Company cannot accurately predict how long it will actually take to deploy the capital available to it or whether it will be able to do so at all. Any significant delay or inability to find suitable projects may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

The Company's level of profit will be reliant upon the performance of the assets developed or acquired. The success of the assets depends on the Directors' ability to identify opportunities in accordance with the Company's objectives and to interpret market data correctly. No assurance can be given that the strategy to be used will be successful under all or any market conditions, that the Company will be able to invest its capital on attractive terms or that the Company will be able to generate positive returns for Shareholders.

### **General economic climate**

The Company may acquire shareholdings in companies and businesses that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies and businesses may experience decreased revenues, financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing and increased funding costs. Any of the foregoing could cause the value of the investment to decline. In addition, during periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Company to obtain funding for additional acquisitions and negatively affect the Company's net asset value and operating results. Accordingly, adverse economic conditions may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Factors that may contribute to the general economic climate include industrial disruption, interest rates and the rate of inflation.

### **Investments in private companies and assets are subject to a number of risks**

The Company may invest in or acquire privately held companies or assets. These may (a) be highly leveraged and subject to significant debt service obligations, stringent operational and financial covenants and risks of default under financing and contractual arrangements, which may adversely affect their financial condition; (b) have limited operating histories and smaller market shares than larger businesses making them more vulnerable to changes in market conditions or the activities of competitors; (c) have limited financial resources; (d) be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals; and (e) require additional capital. All or any of these factors may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### **Material facts or circumstances not revealed in the due diligence process**

Prior to embarking on any project the Company will undertake legal, financial and commercial due diligence on potential target assets to a level considered reasonable and appropriate by the Company on a case by case basis. However, these efforts may not reveal all material facts or circumstances that would have a material adverse effect upon the value of the relevant assets(s). In undertaking due diligence, the Company will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Further, the Company may not have the ability to review all documents relating to the assets(s). Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a project. Any failure to reveal all material facts or circumstances relating to a project may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### **Early stage of development**

The Company may make investments in entities and assets at a relatively early stage of development. There can be no assurances that such companies or assets will successfully develop or that the technologies they have will be suitable for commercialisation. Such entities and assets may require the injection of further capital at a level that the Company, or any third party, is unable or unwilling to meet. Such an outcome may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### **Future Funding**

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

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

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

### **Taxation**

Tax rules and their interpretation relating to any investment in the Company may change during its lifetime. Any such change in the Company's tax status, taxation legislation, or interpretation could affect the value of the investments held in the Company, or, the Company's ability to provide returns to Shareholders or could change post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change.

### **Legislation and Tax Status**

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

### **Reverse Takeover**

Any acquisition the Company proposes will be subject to the class tests under the AIM rules for Companies. Therefore any acquisition the Company proposes could be deemed a reverse takeover. This could result in the Company being required to produce another admission document and will be conditional on shareholder approval.

## **RISKS RELATING TO THE ORDINARY SHARES AND THEIR TRADING ON AIM**

### **No prior trading record for the Ordinary Shares**

Since the Ordinary Shares have not previously been traded, their market value is uncertain. There can be no assurance that the market will value the Ordinary Shares at or above the Placing Price. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and

investors may therefore be unable to recover the value of their original investment. The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Additionally, stock market conditions may affect the Ordinary Shares regardless of the investment performance of the Company. Stock market conditions are affected by many factors, such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply of capital.

Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company's control.

### **Trading on AIM**

An investment in shares traded on AIM is generally perceived to involve a higher degree of risk and to be less liquid than an investment in shares listed on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success, and the liquidity of the market for the Ordinary Shares cannot be guaranteed.

Consequently, it may be more difficult for an investor to sell his or her Ordinary Shares than it would be if the Ordinary Shares were listed on the Official List of the UK Listing Authority, and he or she may receive less than the amount paid.

In addition, there can be no guarantee that the Company will always maintain a quotation on AIM. If it fails to retain such a quotation, investors may decide to sell their Ordinary Shares, which could have an adverse impact on the price of the Ordinary Shares. If in the future the Company decides to maintain a quotation on another exchange in addition to AIM, the level of liquidity of shares traded on AIM may decline if Shareholders choose to trade on that market rather than on AIM.

### **Lack of active market**

On Admission, there will be a limited number of Shareholders in the Company and therefore it is possible that an active trading market may not develop. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Placing Price. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

## PART III

### HISTORICAL FINANCIAL INFORMATION

#### SECTION A – ACCOUNTANTS' REPORT



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#### **Private & confidential**

The Directors  
4d pharma plc  
74 Gartside Street  
Manchester  
M3 3EL

11 February 2014

Dear Sirs

#### **4d pharma plc (the 'Company')**

We report on the financial information of Schosween 18 Limited (formerly 4d pharma Limited) set out in Part III for the period ended 31 December 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 11 February 2014 of 4d pharma plc on the basis of the accounting policies set out in paragraph 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

#### **Basis of opinion**

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

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

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 11 February 2014, a true and fair view of the state of affairs of Schosween 18 Limited (formerly 4d pharma Limited) as at 31 December 2013 and of its profits/losses, cash flows, comprehensive income and changes in equity for the period ended 31 December 2013 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

**Declaration**

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

Yours faithfully

KPMG LLP

## SECTION B – FINANCIAL INFORMATION

**Financial Statements**  
**For The Period 28 November 2013 to 31 December 2013**  
**for**  
**Schosween 18 Limited**  
**Previously known as 4d pharma Limited**

### Statement of Other Comprehensive Income

*For The Period 28 November 2013 to 31 December 2013*

	<i>Notes</i>	£
<b>CONTINUING OPERATIONS</b>		
Revenue		—
		<hr/>
<b>PROFIT BEFORE INCOME TAX</b>		—
Income tax	2	—
		<hr/>
<b>PROFIT FOR THE PERIOD</b>		—
<b>OTHER COMPREHENSIVE INCOME</b>		—
		<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<hr/> <hr/>

## Statement of Financial Position

31 December 2013

	Notes	£
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investments	3	<u>500,000</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	4	<u>1</u>
<b>TOTAL ASSETS</b>		<u><u>500,001</u></u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	5	<u>1</u>
<b>TOTAL EQUITY</b>		<u>1</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities – borrowings		
Interest bearing loans and borrowings	7	<u>500,000</u>
<b>TOTAL LIABILITIES</b>		<u>500,000</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>500,001</u></u>

## Statement of Changes in Equity

For The Period 28 November 2013 to 31 December 2013

	<i>Called up share capital £</i>	<i>Retained earnings £</i>	<i>Total equity £</i>
<b>Changes in equity</b>			
Issue of share capital	1	–	1
<b>Balance at 31 December 2013</b>	<u>1</u>	<u>–</u>	<u>1</u>

## Statement of Cash Flows

For The Period 28 November 2013 to 31 December 2013

	Notes	£
<b>Cash flows from operating activities</b>		
Cash generated from operations	1	<u>–</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed asset investments		<u>(500,000)</u>
Net cash from investing activities		<u>(500,000)</u>
<b>Cash flows from financing activities</b>		
Proceeds from new loan		<u>500,000</u>
Net cash from financing activities		<u>500,000</u>
<b>Increase in cash and cash equivalents</b>		<u>–</u>
<b>Cash and cash equivalents at beginning of period</b>		<u>–</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>–</u></u>

**Notes to the Statement of Cash Flows**

*For The Period 28 November 2013 to 31 December 2013*

**1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	£
Profit before income tax	—
<b>Cash generated from operations</b>	<u>—</u>

## Notes to the Financial Information

For The Period 28 November 2013 to 31 December 2013

### 1. ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The reporting currency adopted is pound sterling (£) as this is the trading currency of the Company.

The preparation of financial information with conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying accounting policies.

The financial information has been prepared for the purposes of the AIM Admission document in accordance with the AIM Rules for Companies and in accordance with this basis of preparation.

#### Going Concern

The directors have prepared trading and cash flow statements for the Company covering the period to 31 December 2015. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the directors have a reasonable expectation that the Company has adequate cash to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

#### Changes in accounting policies: new standards, interpretations and amendments effective in 2013 adopted by the Company and published standards not yet effective

The IASB and the International Financial Reporting Committee (IFRIC) have issued the following standards and interpretations with an effective date after the date of these accounts:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 14	Regulatory Deferral Accounts
IAS 24 (revised)	Related Party Disclosures
IAS 27 (revised)	Consolidated and separate financial statements
IAS 28 (revised)	Investments in Associates
Various	Improvements to IFRSs – minor amendments

These standards are not expected to have a material impact on the company.

#### Financial instruments

This note presents information about the Company's exposure risk, the Company's objectives, policies and processes for managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is an investment holding company and therefore the Company's financial, credit and liquidity risks are considered to be minimal. The Board of Directors consider that the company's risk management policies are appropriate for the needs of the business.

#### Capital management

The Company's capital management policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. The Board's objective is to safeguard the Company's ability to continue

as a going concern, to sustain the future development of the business and to provide returns for shareholders, whilst controlling the cost of capital.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirement.

### **Financial assets**

The Company's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Company's financial assets are a reasonable approximation of their fair values.

Called up share capital not paid: This balance does not carry interest and is stated at its nominal value.

### **Financial liabilities**

All of the Company's financial liabilities are classified as financial liabilities carried at amortised cost. The Company does not use derivative financial instruments or hedge account for any transactions.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

Financial liabilities include the following items:

Loan borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of financial Position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

### **Share capital**

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

## **2. INCOME TAX**

### **Analysis of tax expense**

No liability to UK corporation tax arose on ordinary activities for the period. The company has no deferred tax attributes.

### 3. INVESTMENTS

	<i>Unlisted investments</i> £
<b>COST</b>	
Additions	500,000
At 31 December 2013	<u>500,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<u><u>500,000</u></u>

The Company has an investment of £500,000 (50,000 Ordinary shares at £10 each) in GT Biologics Limited, a company incorporated in Scotland, SC336222. The principal activity of GT Biologics is research and development of biological therapeutics.

### 4. TRADE AND OTHER RECEIVABLES

	£
Current:	
Called up share capital not paid	<u><u>1</u></u>

### 5. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	£
1	Ordinary	£1	<u><u>1</u></u>

### 6. RESERVES

	<i>Retained earnings</i> £
Profit for the period	—
At 31 December 2013	<u><u>—</u></u>

### 7. FINANCIAL LIABILITIES – BORROWINGS

	£
Non-current:	
Other loans – 1-2 years	<u><u>500,000</u></u>

#### Terms and debt repayment schedule

	<i>1-2 years</i> £
Other loans	<u><u>500,000</u></u>

The loan is secured over the shares of the Company and is repayable at the end of 2015. The loan accrues interest at a rate of 4 per cent. per annum above the Bank of England base rate.

#### **8. POST BALANCE SHEET EVENTS**

On the 31 of January 2014, the Company changed its name from 4d pharma Limited to Schosween 18 Limited.

On the 30 January 2014, the share capital of the Company was acquired by 4d pharma plc (formerly Schosween 18 Limited).

On 5 February 2014, Schosween 18 Limited transferred its shareholding in GT Biologics Limited to 4d pharma plc. The consideration for this was the assumption by 4d pharma plc of the £500,000 loan owed by Schosween 18 Limited as included in financial liabilities at 31 December 2013.

## PART IV

### HISTORICAL FINANCIAL INFORMATION

#### SECTION A – ACCOUNTANTS’ REPORT



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#### **Private & confidential**

The Directors  
4d pharma plc  
74 Gartside Street  
Manchester  
M3 3EL

11 February 2014

Dear Sirs

#### **4d pharma plc (the ‘Company’)**

We report on the financial information of GT Biologics Limited set out in Part IV for the three years ended 31 December 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 11 February 2014 of 4d pharma plc on the basis of the accounting policies set out in paragraph 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

#### **Basis of opinion**

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

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

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 11 February 2014, a true and fair view of the state of affairs of GT Biologics Limited as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits/losses, cash flows, comprehensive income and changes in equity for the three years ended 31 December 2013 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

**Declaration**

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

Yours faithfully

KPMG LLP

## SECTION B – FINANCIAL INFORMATION

### Statement of Comprehensive Income

For The Year Ended 31 December 2013

	<i>Notes</i>	2013 £	2012 £	2011 £
<b>CONTINUING OPERATIONS</b>				
Revenue		–	20,000	55,000
Other operating income		2,950	23,654	78,003
Administrative expenses		(1,063,816)	(130,142)	(157,549)
<b>OPERATING LOSS</b>		(1,060,866)	(86,488)	(24,546)
Finance costs on loans and borrowings		–	(500)	(885)
Finance income		–	–	3
<b>LOSS BEFORE INCOME TAX</b>	3	(1,060,866)	(86,988)	(25,428)
Income tax	4	–	–	–
<b>LOSS FOR THE YEAR</b>		(1,060,866)	(86,988)	(25,428)
<b>OTHER COMPREHENSIVE INCOME</b>		–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(1,060,866)	(86,988)	(25,428)

## Statement of Financial Position

31 December 2013

	Notes	2013 £	2012 £	2011 £
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	212,801	–	–
Investments	6	2	–	–
		<u>212,803</u>	<u>–</u>	<u>–</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	7	105,260	20,446	3,496
Cash and cash equivalents	8	207,345	231,180	92,107
		<u>312,605</u>	<u>251,626</u>	<u>95,603</u>
<b>TOTAL ASSETS</b>		<u><u>525,408</u></u>	<u><u>251,626</u></u>	<u><u>95,603</u></u>
<b>EQUITY</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Called up share capital	9	1,024	441	291
Share premium	10	1,291,437	559,520	264,077
Retained earnings	10	(1,394,539)	(333,673)	(246,685)
<b>TOTAL EQUITY</b>		<u>(102,078)</u>	<u>226,288</u>	<u>17,683</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	627,486	25,338	77,920
<b>TOTAL LIABILITIES</b>		<u>627,486</u>	<u>25,338</u>	<u>77,920</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>525,408</u></u>	<u><u>251,626</u></u>	<u><u>95,603</u></u>

## Statement of Changes in Equity

For The Year Ended 31 December 2013

	<i>Called up share capital £</i>	<i>Retained earnings £</i>	<i>Share premium £</i>	<i>Total equity £</i>
<b>Balance at 1 January 2012</b>	291	(246,685)	264,077	17,683
<b>Changes in equity</b>				
Issue of share capital, net of issue costs	150	–	295,443	295,593
Total comprehensive income	–	(86,988)	–	(86,988)
<b>Balance at 31 December 2012</b>	<u>441</u>	<u>(333,673)</u>	<u>559,520</u>	<u>226,288</u>
<b>Changes in equity</b>				
Issue of share capital, net of issue costs	583	–	731,917	732,500
Total comprehensive income	–	(1,060,866)	–	(1,060,866)
<b>Balance at 31 December 2013</b>	<u>1,024</u>	<u>(1,394,539)</u>	<u>1,291,437</u>	<u>(102,078)</u>
	<i>Called up share capital £</i>	<i>Retained earnings £</i>	<i>Share premium £</i>	<i>Total equity £</i>
<b>Balance at 1 January 2011</b>	291	(221,257)	264,077	43,111
<b>Changes in equity</b>				
Total comprehensive income	–	(25,428)	–	(25,428)
<b>Balance at 31 December 2011</b>	<u>291</u>	<u>(246,685)</u>	<u>264,077</u>	<u>17,683</u>

## Statement of Cash Flows

For The Year Ended 31 December 2013

		2013	2012	2011
		£	£	£
<b>Cash flows from operating activities</b>				
Cash generated from operations	1	(684,338)	(156,020)	54,720
Interest paid		–	(500)	(885)
Net cash from operating activities		<u>(684,338)</u>	<u>(156,520)</u>	<u>53,835</u>
<b>Cash flows from investing activities</b>				
Interest received		–	–	3
Purchase of fixed asset investments		(2)	–	–
Purchase of tangible fixed assets		(71,995)	–	–
Net cash from investing activities		<u>(71,997)</u>	<u>–</u>	<u>3</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		<u>732,500</u>	<u>295,593</u>	<u>–</u>
Net cash from financing activities		<u>732,500</u>	<u>295,593</u>	<u>–</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(23,835)</u>	<u>139,073</u>	<u>53,838</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>231,180</u>	<u>92,107</u>	<u>38,269</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>207,345</u></u>	<u><u>231,180</u></u>	<u><u>92,107</u></u>

## Notes to the Statement of Cash Flows

For The Year Ended 31 December 2013

### 1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2013 £	2012 £	2011 £
Loss before income tax	(1,060,866)	(86,988)	(25,428)
Depreciation charges	8,331	–	885
Finance costs	–	500	(3)
	<u>(1,052,535)</u>	<u>(86,488)</u>	<u>(24,546)</u>
Increase in trade and other receivables	(84,814)	(16,950)	9,364
Increase/(decrease) in trade and other payables	453,011	(52,582)	69,902
<b>Cash generated from operations</b>	<u><u>(684,338)</u></u>	<u><u>(156,020)</u></u>	<u><u>54,720</u></u>

### 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

#### Year ended 31 December 2013

	31.12.13 £	1.1.13 £
Cash and cash equivalents	<u><u>207,345</u></u>	<u><u>231,180</u></u>

#### Year ended 31 December 2012

	31.12.12 £	1.1.12 £
Cash and cash equivalents	<u><u>231,180</u></u>	<u><u>92,107</u></u>

#### Year ended 31 December 2011

	31.12.11 £	1.1.11 £
Cash and cash equivalents	<u><u>92,107</u></u>	<u><u>38,269</u></u>

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The reporting currency adopted is pound sterling (£) as this is the trading currency of the Company.

The preparation of financial information with conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying accounting policies.

The financial information has been prepared for the purposes of the AIM Admission document in accordance with the AIM Rules for Companies and in accordance with this basis of preparation.

#### Going Concern

The directors have prepared trading and cash flow statements for the Company covering the period to 31 December 2015. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the directors have a reasonable expectation that the Company has adequate cash to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

#### Changes in accounting policies: new standards, interpretations and amendments effective in 2013 adopted by the Company and published standards not yet effective

The IASB and the International Financial Reporting Committee (IFRIC) have issued the following standards and interpretations with an effective date after the date of these accounts:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 14	Regulatory Deferral Accounts
IAS 19 (revised)	Employee Benefits
IAS 24 (revised)	Related Party Disclosures
IAS 27 (revised)	Consolidated and separate financial statements
IAS 28 (revised)	Investments in Associates
Various	Improvements to IFRSs – minor amendments

These standards are not expected to have a material impact on the Company.

#### Revenue recognition

Revenue represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Revenue which represents the sale of goods is recognised at the point that risk is transferred to the customer as determined by the terms agreed in the contract.

#### Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery – between 33% on cost and 20% on cost

#### Financial instruments

This note presents information about the Company's exposure risk, the Company's objectives, policies and processes for treasuring and managing risk, and the Company's management of capital, further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Financial risks**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and exchange rate risk:

#### **Credit risk**

The Company's principal financial assets are bank balances and cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables, however these balances are minimal.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers and by closely monitoring customers balances due, to ensure they do not become overdue.

#### **Cash flow risk**

The Company's activities expose it primarily to the financial impact of changes in interest rates. Company cash balances and expected cash flow are monitored on a daily basis to ensure the Company has sufficient available funds to meet its needs.

#### **Liquidity risk**

Company policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. Cash balances are available for immediate withdrawal if required.

### **Capital management**

The Company's capital management policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. The Board's objective is to safeguard the Company's ability to continue as a going concern, to sustain the future development of the business and to provide returns for shareholders, whilst controlling the cost of capital.

The Company monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet.

There were no changes in the Company's approach to capital management during the period.

### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

### **Research and development**

Expenditure on research is written off in the year in which it is incurred.

Development expenditure is capitalised only to the extent that they can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and sell or use the asset. Other development expenditure is recognised in profit and loss as incurred.

### **Government grants**

Income from government grants are recognised in the profit and loss account as other income in the year in which the related expenditure is incurred.

### **Financial assets**

The Company's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Company's financial assets are a reasonable approximation of their fair values.

Trade receivables: Trade receivables do not carry interest and are stated at their nominal value as reduced by allowances for estimated irrecoverable amounts.

Cash and cash equivalents: – Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand.

In the Cash Flow Statement, cash and cash equivalents comprise cash and cash equivalents as defined above.

### **Financial liabilities**

All of the Group's financial liabilities are classified as financial liabilities carried at amortised cost. The Company does not use derivative financial instruments or hedge account for any transactions.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

Financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are recognised as their nominal value.

### **Share capital**

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

## 2. EMPLOYEES AND DIRECTORS

	2013 £	2012 £	2011 £
Wages and salaries	<u>93,200</u>	<u>40,657</u>	<u>1,815</u>

The average monthly number of employees during the year was as follows:

	2013	2012	2011
Number of employees	<u>3</u>	<u>2</u>	<u>1</u>

	2013 £	2012 £	2011 £
Directors' remuneration	<u>47,016</u>	<u>10,500</u>	<u>–</u>

## 3. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	2013 £	2012 £	2011 £
Depreciation – owned assets	8,331	–	–
Statutory audit of the financial statements	<u>5,000</u>	<u>–</u>	<u>–</u>

## 4. INCOME TAX

### Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the year ended 31 December 2012. The Company has no recognised deferred tax assets or liabilities.

The unrecognised deferred tax asset is £325,538 (2012: £70,828, 2011: £49,899).

## 5. PROPERTY, PLANT AND EQUIPMENT

	<i>Plant and machinery</i> £
<b>COST</b>	
At 31 December 2012 and 31 December 2011	–
Additions	<u>221,132</u>
At 31 December 2013	<u>221,132</u>
<b>DEPRECIATION</b>	
At 31 December 2012 and 31 December 2011	–
Charge for year	<u>8,331</u>
At 31 December 2013	<u>8,331</u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<u>212,801</u>
At 31 December 2012 and 31 December 2011	<u>–</u>

## 6. INVESTMENTS

	<i>Shares in group undertakings £</i>
<b>COST</b>	
At 31 December 2012 and 31 December 2011	–
Additions	2
	<hr/>
At 31 December 2013	2
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2013	2
	<hr/> <hr/>
At 31 December 2012 and 31 December 2011	–
	<hr/> <hr/>

The company's investments at the statement of financial position date in the share capital of companies include the following:

### **GT Prohealth Limited**

Country of incorporation: Scotland

Nature of business: Dormant

%

Class of shares:	holding
Ordinary	100.00

### **GT Therapeutics Limited**

Country of incorporation: Scotland

Nature of business: Dormant

%

Class of shares:	holding
Ordinary	100.00

## 7. TRADE AND OTHER RECEIVABLES

	<i>2013</i>	<i>2012</i>	<i>2011</i>
	£	£	£
Current:			
Trade debtors	–	1,292	–
Other debtors	24,339	8,750	–
VAT	80,921	10,404	3,496
	<hr/>	<hr/>	<hr/>
	105,260	20,446	3,496
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There are no provisions for impairment losses in relation to trade debtors balances. No trade debtor balances were past due in either the current or the prior year. Trade debtor balances are denominated in sterling.

## 8. CASH AND CASH EQUIVALENTS

	<i>2013</i>	<i>2012</i>	<i>2011</i>
	£	£	£
Bank accounts	207,345	231,180	92,107
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

		<i>Nominal</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>Number:</i>	<i>Class:</i>	<i>value:</i>	£	£	£
79,059	Ordinary	£0.01	791	291	291
23,283	A Ordinary	£0.01	232	149	–
50	Growth Ordinary	£0.01	1	1	–
			<u>1,024</u>	<u>441</u>	<u>291</u>

The following fully paid shares were allotted during the year at a premium as shown below:

50,000 Ordinary shares of £0.01 each at £9.99 per share

8,333 A Ordinary shares of £0.01 each at £29.99 per share

## 10. RESERVES

	<i>Retained earnings</i>	<i>Share premium</i>	<i>Totals</i>
	£	£	£
At 1 January 2013	(333,673)	559,520	225,847
Deficit for the year	(1,060,866)		(1,060,866)
Proceeds on issue of shares, net of issue costs	–	731,917	731,917
At 31 December 2013	<u>(1,394,539)</u>	<u>1,291,437</u>	<u>(103,102)</u>

	<i>Retained earnings</i>	<i>Share premium</i>	<i>Totals</i>
	£	£	£
At 1 January 2011	(221,257)	264,077	42,820
Deficit for the year	(25,428)	–	(25,428)
At 31 December 2011	<u>(246,685)</u>	<u>264,077</u>	<u>17,392</u>

	<i>Retained earnings</i>	<i>Share premium</i>	<i>Totals</i>
	£	£	£
At 1 January 2012	(246,685)	264,077	17,392
Deficit for the year	(86,988)	–	(86,988)
Proceeds on issue of shares, net of issue costs	–	295,443	295,443
At 31 December 2012	<u>(333,673)</u>	<u>559,520</u>	<u>225,847</u>

## 11. TRADE AND OTHER PAYABLES

	<i>2013</i>	<i>2012</i>	<i>2011</i>
	£	£	£
Current:			
Trade creditors	407,898	1,809	–
Social security and other taxes	13,564	4,744	–
Other creditors	206,024	18,785	77,920
	<u>627,486</u>	<u>25,338</u>	<u>77,920</u>

## **12. RELATED PARTY DISCLOSURES**

During the year, Aquarius Equity Partners Limited, an entity controlled by Duncan Peyton and Alex Stevenson, charged the company £78,443 (2012: £nil, 2011: £nil) for consultancy and financing costs and were owed £19,125 at 31 December 2013 (2012: £nil, 2011: £nil).

During the year, Thomas Engelen Associates, an entity controlled by T. Engelen, charged the Company £21,029 (2012: nil, 2011: £nil) for consultancy costs and was owed £2,533 at 31 December 2013 (2012: nil, 2011: £nil).

During the year, Illetrop Limited, an entity controlled by D Thomson, charged the company £74,249 (2012: £nil, 2011: £nil) for consultancy costs and were owed £24,146 at 31 December 2013 (2012: £nil, 2011: £nil).

During the year, Aberdeen University charged the company £459,018 (2012: £28,750, 2011: £nil) for personnel and laboratory consumables, and at 31 December 2013 were owed £332,403 (2012: £ nil, 2011: £nil).

All transactions were carried out on an arm's length basis.

Included in Trade and Other Payables due within one year is £nil (2012: £nil, 2011: £20,000) due to Genomia Management Ltd. Both Aberdeen University and Genomia Management Ltd are shareholders of the Company.

## **13. POST BALANCE SHEET EVENTS**

On 5 February 2014, 46 per cent. of the Company's shares were acquired by 4d pharma plc (formerly Schosween 18 Limited).

## **PART V**

### **ADDITIONAL INFORMATION**

#### **1. Responsibility**

The Company (whose registered office appears on page 5) and the Directors (whose names and functions appear on page 5) accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **2. The Company**

- 2.1 The Company was incorporated in England and Wales under the Act on 10 January 2014 as a private company limited by shares with the name Schosween 18 Limited and registered number 08840579. On 31 January 2014 the Company changed its name to 4d pharma Limited.
- 2.2 On 7 February 2014 the Company was re-registered as a public limited company under the Act as 4d pharma plc.
- 2.3 The liability of the Shareholders is limited. The principal legislation under which the Company was formed is the Act.
- 2.4 The registered office and head office of the Company is 74 Gartside Street, Manchester M3 3EL.
- 2.5 The Company's website address, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is [www.4dpharmapl.com](http://www.4dpharmapl.com).
- 2.6 The Company is the holding company of one subsidiary Schosween 18 Limited, which is dormant and has never traded.
- 2.7 On 5 February 2014, the Company acquired 50,000 ordinary shares of £0.01 in GT Biologics, representing approximately 46 per cent. of the issued share capital of GT Biologics.

#### **3. Share capital of the Company**

- 3.1 On incorporation, one ordinary share of £1 in the Company was subscribed by Laurence Dale.
- 3.2 There have been the following changes to the share capital of the Company between the date of incorporation and the date of this Document:
  - 3.2.1 On 10 January 2014, 25,001 ordinary shares of £1 each were allotted to David Norwood;
  - 3.2.2 On 18 January 2014, 12,499 ordinary shares of £1 each were simultaneously allotted to each of Duncan Peyton and Alex Stevenson;
  - 3.2.3 On 23 January 2014, 7,502 of D. Norwood's shares were transferred to D. Peyton 3,126, A. Stevenson 3,126 and T. Engelen 1,250.
  - 3.2.4 On 5 February 2014, each, of the issued ordinary shares of £1 each was subdivided into 400 ordinary shares of 0.25p each, resulting in an issued share capital of 20,000,000 ordinary shares of 0.25p each;
  - 3.2.5 On 11 February 2014, there were 20,000,000 ordinary shares of 0.25p each in the capital of the Company in issue.
- 3.3 On 10 February 2014, conditionally (save in the case of the resolutions referred to in paragraphs 3.3.1 and 3.3.2 below) upon Admission occurring not later than 8.00 a.m. on 18 February 2014 (or such later time and/or date, not being later than 3.00 p.m. on 28 February 2014, as the Company and Zeus Capital may agree) shareholder resolutions of the Company having the following effect were passed:
  - 3.3.1 the Directors were authorised pursuant to section 551 of the Act to allot up to 16,550,000 Ordinary Shares in connection with the Placing, such authority expiring (unless previously renewed, revoked, varied or extended) on 28 February 2014;

- 3.3.2 the Directors were given the power (pursuant to section 571 of the Act) to allot equity securities (as defined in section 560 of the Act) pursuant to the authority referred to in paragraph 3.3.1 above as if section 561(1) of the Act did not apply to any such allotment, such power being limited to the allotment for cash of up to 16,550,000 Ordinary Shares in connection with the Placing;
- 3.3.3 the Directors were generally and unconditionally authorised, until the conclusion of the Company's annual general meeting held in 2015 or 10 May 2015, whichever is the earlier, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company in accordance with section 551 of the Act up to an aggregate nominal amount of £30,458; and
- 3.3.4 the Directors were given the power (pursuant to sections 570 and 573 of the Act) to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by the resolution referred to in paragraph 3.3.3 above as if section 561(1) of the Act did not apply to any such allotment, such power being limited to the allotment of equity securities up to an aggregate nominal amount of £4,568.
- 3.4 The issued share capital of the Company as at the date of this Document is £50,000 divided into 20,000,000 ordinary shares of 0.25p each. The Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 16,550,000 Ordinary Shares at the Placing Price, conditionally upon Admission occurring not later than 8.00 a.m. on 18 February 2014 (or such later time and/or date, not being later than 3.00 p.m. on 28 February 2014, as the Company and Zeus Capital may agree). Accordingly, immediately following Admission the issued share capital of the Company will be £91,375 divided into 36,550,000 Ordinary Shares.
- 3.5 The provisions of section 561(1) of the Act (which, to the extent not disapplied pursuant to sections 570 and 573 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) will, following Admission, apply to the allotment by the Company of equity securities, except to the extent disapplied by the resolution referred to in paragraph 3.3.4 above.
- 3.6 Save as disclosed in this Part V:
- 3.6.1 no share or loan capital in the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
- 3.6.2 no share or loan capital of the Company has been issued, or is now proposed to be issued, otherwise than fully paid;
- 3.6.3 no person has any preferential subscription rights for any share capital of the Company;
- 3.6.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
- 3.6.5 the Company does not hold any of its own Ordinary Shares as treasury shares and none of the Company's subsidiaries hold any Ordinary Shares;
- 3.6.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
- 3.6.7 there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 3.7 The Ordinary Shares have been created under the Act.
- 3.8 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form. Records in respect of Ordinary Shares held in uncertificated form will be kept by Capita Registrars Limited, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 3.9 It is expected that CREST accounts will be credited as applicable on the date of Admission. The ISIN of the Ordinary Shares is GB00BJL5BR07. Share certificates (where applicable) will be despatched by first class post within fourteen days of the date of Admission at the risk of the Shareholder.

- 3.10 No shares of the Company 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.
- 3.11 There are no issued but not fully paid Ordinary Shares.
- 3.12 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.
- 3.13 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made, and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 3.14 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

#### **4. Articles**

The Articles contain provisions to the following effect:

##### *4.1 Objects*

The Articles do not provide for: (i) any objects of the Company and accordingly the Company's objects are unrestricted; or (ii) any purposes for which the Company was established.

##### *4.2 Share rights*

Subject to applicable laws, the Articles and to any rights for the time being attached to any existing share, any shares may be issued with such rights or restrictions as the Company may from time to time by ordinary resolution determine, or, if the Company has not so determined, as the Board may determine.

Subject to applicable laws, any share may be issued which is to be redeemed, or is to be liable to be redeemed at the option of the Company or the holder, on such terms, conditions and in such manner as the Board may determine.

##### *4.3 Share class rights*

If the Company's share capital is divided into shares of different classes, any rights attached to any class of shares may (subject to the rights attached to the shares of the class) be varied or abrogated in any manner, either with the written consent of the holders of not less than three-quarters in nominal value of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such class of shares.

##### *4.4 Share transfers*

4.4.1 A member may transfer certificated shares to another person by a written instrument of transfer in any usual form (or any other form approved by the Board) executed by or on behalf of the member and, in the case of a share which is not fully paid, by or on behalf of that person. The Board may refuse to register the transfer of a certificated share which is in respect of a partly paid share or in respect of more than one class of share or in favour of more than four joint transferees or not duly stamped or not delivered for registration with appropriate evidence of the transferor's title to the Company's registered office or its share registrars.

4.4.2 A member may transfer uncertificated shares without a written instrument if such shares are a participating security held in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. The Board is required to register a transfer of any uncertificated share in accordance with those regulations. The Board may refuse to register any such transfer which is in favour of more than four persons jointly or in any other circumstance permitted by those regulations.

#### 4.5 *Dividends*

All dividends on shares are to be paid according to the amounts paid up on their nominal value, or otherwise in accordance with the terms concerning entitlement to dividends on which shares were issued. All unclaimed dividends may be made use of by the Board for the Company's benefit until claimed. Any dividend unclaimed for 12 years shall revert to the Company.

#### 4.6 *General meetings*

4.6.1 Every member who is present at a general meeting in person or by proxy is entitled to one vote on a resolution put to the meeting on a show of hands and to one vote for every share of which he is the holder on a resolution put to the meeting on a poll. The vote of the senior of joint holders who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders appear in the Company's register of members in respect of the joint holding.

4.6.2 The Board is required to convene annual general meetings in accordance with the Act. The Board may convene a general meeting which is not an annual general meeting whenever it thinks fit. The Company is required to give notice of a general meeting to each member (other than a person who, under the Articles or pursuant to any restrictions imposed on any shares, is not entitled to receive such a notice or to whom the Company, in accordance with applicable law, has not sent and is not required to send its latest annual accounts and reports), to the Directors and to the auditors. For these purposes "members" are the persons registered in the Company's register of members as being holders of shares at any particular time on any particular record date fixed by the Board that (in accordance with the Uncertificated Securities Regulations 2001) is not more than 21 days before the sending out of the notices. The notice of a general meeting may specify a time by which a person must be entered on the Company's register of members in order to have the right to attend or vote at the meeting.

4.6.3 A member who is entitled to attend and vote at a general meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and to vote at the meeting.

4.6.4 A corporation which is a member may, by resolution of its directors or other governing body, authorise one or more persons as it thinks fit to act as a representative for it at any general meeting of the Company. The Company may require such a representative to produce a certified copy of the authorising resolution or such other reasonable evidence of his authority before permitting him to exercise any powers on the corporation's behalf at the meeting.

#### 4.7 *Interests in shares not disclosed to the Company*

If a member or any person appearing to be interested in a share has been duly served with a notice under section 793 of the 2006 Act and has failed in relation to any shares to give the Company the information thereby required within the prescribed period from the date of the service of the notice, then, unless the Board otherwise determines, the member shall not be entitled to attend or vote at any general meeting or any separate meeting of the holders of that class of shares or on a poll. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends shall be retained by the Company and such member shall not be entitled to transfer such shares unless the member himself is not in default, or the transfer is an approved transfer or the registration of the transfer is required under the Uncertificated Securities Regulations 2001.

#### 4.8 *Alteration of share capital*

The Company may alter its share capital in any way permitted by the Act and applicable law and confer any preference or other advantage on one or more of the shares resulting from any division or sub-division of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.

#### 4.9 *Return of capital*

On a winding up of the Company, the Company's assets available for distribution will be divided among the members in proportion to the nominal amount paid up in respect of the shares held by them, subject to any rights attached to any shares. The liquidator may divide among the members in

kind the whole or any part of the Company's assets. The liquidator may set the value he deems fair on any property of the Company and determine how the division is to be carried out between members or classes of members. The liquidator may not distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

#### *4.10 Lien and forfeiture*

4.10.1 The Company has a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether actually or contingently and whether presently or not) in respect of that share. The Board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

4.10.2 Subject to the terms on which shares are allotted, the Board may make calls on members in respect of any money unpaid on their shares. Each member shall (subject to receiving at least 14 days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

#### *4.11 Board powers*

4.11.1 The Company's business is to be managed by the Board. The Board may exercise all the Company's powers and may do on its behalf anything that can be done by the Company or on its behalf which is not required by law or the Articles to be exercised or done by the Company in general meeting, subject to applicable laws, the Articles and such directions as may be prescribed by the Company by special resolution.

4.11.2 The Board may delegate to a Director holding executive office any of its powers, authorities and discretions on such terms as it thinks fit. The Board may grant to a Director the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director.

4.11.3 The Board may delegate any of its powers, authorities and discretions on such terms as it thinks fit to a committee consisting of one or more Directors and, if thought fit, one or more other persons. The Board may grant to the committee the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the committee.

#### *4.12 Directors – appointment, retirement and removal*

4.12.1 At any one time the total number of Directors may not be less than two. This limit may be changed by ordinary resolution of the Company. The Company may by ordinary resolution appoint as a Director a person who is willing to act as such, either to fill a vacancy or as an addition to the existing Directors. The Board may appoint as a Director any person who is willing to act as such, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board is required to retire at the next annual general meeting. He will be eligible to stand for election as a Director at that meeting and will not be taken into account in determining the number or identity of Directors who are to retire by rotation at it.

4.12.2 At each annual general meeting one-third of the Directors who are subject to retirement by rotation in accordance with the Articles or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, are required to retire from office. A Director who retires at an annual general meeting may, if willing to act, be reappointed at it.

4.12.3 The Company may remove any Director from office and appoint as a Director another person who is willing to act as such in his place, in each case by ordinary resolution.

#### 4.13 Directors – fees and remuneration

- 4.13.1 The maximum aggregate amount of fees that the Company may pay to all the Directors (but not alternate Directors) for their services as such is £200,000 per annum, or such larger amount as the Company may by ordinary resolution decide. These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally. An executive Director may receive from the Company, in addition to or instead of such fees, salary or other remuneration.
- 4.13.2 The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the discharge of their duties as Directors, including any professional fees incurred by him.
- 4.13.3 The Board may provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company and their relatives and dependants.

#### 4.14 Directors' interests

- 4.14.1 A Director is not required (provided he has disclosed his interest in the matter) to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with (i) being interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, (ii) holding any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and acting by himself or through his firm in a professional capacity for the Company (and being entitled to remuneration as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article), or (iii) being a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment.
- 4.14.2 A Director may not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), nor can he be counted in the quorum in relation to it, other than a resolution that relates to any of the following:
- (i) the giving of any guarantee, security or indemnity in respect of (a) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (b) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (ii) any contract concerning the subscription or purchase by him of shares, debentures or other securities of the Company under an offer or invitation to members or debenture holders of the Company, or any class of them, or to the public or any section of them;
  - (iii) any contract concerning any issue or offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;
  - (iv) any contract concerning another company in which he has a direct or indirect interest whether as an officer shareholder or otherwise, unless he holds an interest in shares representing one per cent. or more of any class of equity share capital, or the voting rights, in such company;
  - (v) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such contract or arrangement relates;
  - (vi) any contract concerning the purchase or maintenance of any insurance policy for the benefit of any director or for persons who include directors;

(vii) any proposal for the Company (1) to provide him with an indemnity permitted by the Act, (2) to provide him with funds in circumstances permitted by that Act to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by that Act, or (3) to do anything to enable him to avoid incurring any such expenditure.

4.14.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) or as the holder of any office or place of profit with the Company or any company in which the Company is interested.

4.14.4 The Board may authorise any matter proposed to it which, if not authorised, would involve a breach by a director of his duty to avoid conflicts of interest under the Act. Such provisions of the Articles do not apply where a conflict of interest arises in relation to a transaction or arrangement with the Company. The Board may make such authorisation subject to any limits or conditions it expressly imposes, but the authorisation is otherwise to be given to the fullest extent permitted. The authorisation may be terminated by the Board at any time.

#### *4.15 Directors' indemnity and insurance*

Subject to the Act and applicable law, the Company may:

4.15.1 indemnify any Director or any director of any associated company against any liability pursuant to any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision, or on any other basis as is then lawful, in each case on such terms as the Board may decide; and

4.15.2 purchase and maintain for any Director or any director of any associated company insurance against any liability.

#### *4.16 Borrowing powers*

4.16.1 Subject to the limitations referred to in paragraph 4.16.2 below, the Board may exercise all the Company's powers to borrow money and to mortgage or charge all or part of the Company's undertaking, property and assets (present or future) and uncalled capital of the Company and (subject to applicable laws) to create and issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.

4.16.2 The Board must restrict the Company's borrowings and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure that the aggregate principal amount outstanding in respect of 'monies borrowed' (as defined in the Articles) by group undertakings does not at any time (without the prior sanction of an ordinary resolution) exceed a sum equal to three times the Company's 'adjusted capital and reserves' (as defined in the Articles).

#### *4.17 Untraced shareholders*

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

## **5. Mandatory bids, Squeeze-Out and Sell-Out Rules relating to the Ordinary Shares**

### *5.1 Mandatory bid*

5.1.1 The City Code on Takeovers and Mergers ('City Code') applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would

be required (except with the consent of the Panel on Takeover and Mergers) to make a cash offer for all of the remaining Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 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 of the Company.

## 5.2 Squeeze-out

5.2.1 Under the Act, if an offeror were to acquire 90 per cent. or more of the Ordinary Shares within the period specified by the Act, it could then compulsorily acquire the remaining Ordinary Shares. It would do so by sending a notice to the relevant Shareholders 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 such consideration on trust for such Shareholders.

5.2.2 The consideration offered to Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the relevant takeover offer, unless such Shareholders can show that the offer value is unfair.

## 5.3 Sell-out

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which such offer relates who has not accepted the offer can by written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. If a Shareholder exercises its right to be bought out, the offeror is bound to acquire the relevant Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## 6. Disclosure of Interests

### 6.1 Directors' and other interests

6.1.1 As at the date of this Document, and immediately following Admission (and taking into account the allotment of the Placing Shares), the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the Act) in the issued share capital of the Company will be as follows:

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage of share capital</i>	<i>No of Ordinary Shares</i>	<i>Percentage of share capital</i>
David Norwood	7,000,000	35.00	7,000,000	19.15
Duncan Peyton	6,250,000	31.25	6,250,000	17.10
Alex Stevenson	6,250,000	31.25	6,250,000	17.10
Thomas Engelen	500,000	2.50	500,000	1.37

6.1.2 Save as disclosed in this paragraph 6, none of the Directors, and no member of any of their respective families or person connected with any of them (within the meaning of section 252 of the Act), has any interest in the issued share capital of the Company or of any of its subsidiaries or will at Admission have any such interest.

6.1.3 No Director has as at the date of this Document (or will have at Admission) any option over any shares in the Company.

6.1.4 Save for the Placing Agreement, the Nominated Adviser and Broker Agreement referred to in paragraph 10.2 of this Part V, the service agreements and letters of appointment referred to in

paragraph 7 of this Part V and the agreements described in paragraph 12 of this Part V, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, shareholders or recent shareholders of the Company connected with or dependent upon Admission or the Placing.

## 6.2 Major Shareholders

6.2.1 As at the date of this Document, each of the Directors own shares as set out in paragraph 6.1.1 above.

6.2.2 Immediately following Admission (taking into account the allotment of the Placing Shares), the following persons will have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>No of Ordinary Shares</i>	<i>Percentage of share capital</i>
David Norwood	7,000,000	19.16
Duncan Peyton	6,250,000	17.10
Alex Stevenson	6,250,000	17.10
Invesco Asset Management	3,000,000	8.21
Lansdowne Partners	3,000,000	8.21

6.2.3 Save as disclosed in paragraph 6.2.1 above, the Directors are not aware of any person or persons who, directly or indirectly, have at the date of this Document an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights, or who, at the date of this, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.2.4 Save as disclosed in paragraph 6.2.2 above, the Directors are not aware of any person or persons who, directly or indirectly, will immediately following Admission have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights or who immediately following Admission will, directly or indirectly, jointly or severally, exercise, or could then exercise, control over the Company.

6.3 Neither the Directors nor any of the Shareholders listed in paragraph 6.2 above have different voting rights to other holders of Ordinary Shares.

## 7. Directors' Service Agreements and Letters of Appointment

7.1 Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

### 7.1.1 Executive Directors

Duncan Peyton entered into a service agreement with the Company on 10 February 2014. His appointment, which is conditional upon Admission, is for a fixed period of 12 months and terminable on 12 months' notice by either party thereafter, such notice not to be given until expiry of the fixed term.

Mr. Peyton's salary is £100,000 per annum. Mr. Peyton may receive a bonus at the discretion of the remuneration committee.

Alex Stevenson entered into a service agreement with the Company on 10 February 2014. His appointment, which is conditional upon Admission, is for a fixed period of 12 months and terminable on 12 months' notice by either party thereafter, such notice not to be given until expiry of the fixed term.

Dr. Stevenson's salary is £100,000 per annum. Dr. Stevenson may receive a bonus at the discretion of the remuneration committee.

### 7.1.2 Non-Executive Directors

David Norwood (Non-Executive Chairman) entered into a letter of appointment with the Company on 10 February 2014. The appointment will (subject to Admission) continue, terminable in various specified circumstances and in any event by either party on three months' notice. The annual fee payable to him is £25,000.

Thomas Engelen (Non-Executive Director) entered into a letter of appointment with the Company on 10 February 2014. The appointment will (subject to Admission) continue, terminable in various specified circumstances and in any event by either party on three months' notice. The annual fee payable to him is £25,000.

- 7.2 Save as set out in paragraph 7.1 above, there are no contracts providing for benefits upon the termination of employment of any Director.

## 8. Additional information in relation to the Directors

- 8.1 The Directors (in addition to their directorships of the Company) are or have been a member of the administrative, management or supervisory bodies, or directors or partners of the following companies or partnerships, within the five years immediately prior to the publication of this Document:

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
David Norwood	Oxford Pharmascience Group Plc Retroscreen Virology Group Plc Retroscreen Virology Limited	
Duncan Peyton	Aquarius Equity Partners Limited Aquarius Equity Director Limited Aquarius Equity Holdings Limited Aquarius Northern Entrepreneurs Managing Member Limited North West Seed Fund General Partner Limited North West Seed Fund Founder Partner Limited Aquarius Origin Fund Managing Member Limited Aquarius IV Fund Managing Member Limited Retroscreen Virology Group Plc Aquarius Life Science Limited GT Biologics Limited Brabant Pharma Limited Aquarius Pharma Limited Schosween 18 Limited The Northern Entrepreneurs Fund Co-Investment LLP The Aquarius Origin Fund Co-Investment LLP The Aquarius IV Fund Co-Investment LLP	Nanoco Tech Limited Schosween 1 Limited
Alex Stevenson	Aquarius Equity Partners Limited Aquarius Equity Holdings Limited Aquarius Northern Entrepreneurs Managing Member Limited North West Seed Fund General Partner Limited GT Biologics Limited	Aquarius Equity Director Limited Aquarius Origin Fund Managing Member Limited Tissue Regenix Group plc Tissue Regenix Limited The Northern Entrepreneurs Fund Co-Investment LLP

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Alex Stevenson (cont)	Brabant Pharma Limited Aquarius Pharma Limited Schosween 18 Limited	The Aquarius Origin Fund Co-Investment LLP The Aquarius IV Fund Co-Investment LLP
Thomas Engelen	Akcros Chemicals Limited Akcros Holdings Limited Stopham House Management Limited Colonis Pharma Limited GT Biologics Limited Warneford Partners Limited Hamsard 3149 Limited Quantum Pharmaceutical Limited Penlan Healthcare Limited	Aurum Pharmaceuticals Limited Bolt Equity Limited Bolt Mezzanine Limited Eldon Laboratories Limited Macarthy Limited Macarthys Laboratories Limited Martindale Pharma (Holdings 1) Limited Martindale Pharma Company Limited Martindale Pharmaceuticals Limited Nut Bond Limited

8.2 Save as set out in this Document, no Director has:

- 8.2.1 any unspent convictions in relation to indictable offences (including fraudulent offences);
- 8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;
- 8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, became the subject of any receivership;
- 8.2.6 received any official public criticism and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or
- 8.2.7 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 a company.

## **9. Employees**

9.1 As at 10 February 2014, the Company had two employees, being the Executive Directors. The Company has never had any other employees.

## **10. Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) entered into by the Company, or GT Biologics, either have been entered into within the two years immediately preceding the date of this Document and are or may be material or contain a provision under which the Company or

GT Biologics has an obligation or entitlement which is material to the Company or GT Biologics as at the date of this Document:

### 10.1 *The Placing Agreement*

The Placing Agreement contains the following terms:

- 10.1.1 the Company appoints Zeus Capital as its agent and Zeus Capital agrees to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price;
- 10.1.2 the obligations of Zeus Capital are conditional, *inter alia*, upon Admission occurring on or before 8.00 a.m. on 18 February 2014 or such later time and/or date, not being later than 3.00 p.m. on 28 February 2014, as the Company and Zeus Capital may agree;
- 10.1.3 subject to Admission the Company shall pay Zeus Capital a corporate finance fee of £150,000 and a commission at the rate of 1 per cent. of the value of the Placing Shares at the Placing Price;
- 10.1.4 subject to certain restrictions the Company shall pay all the costs and expenses (including any applicable VAT) of and incidental to the Placing including the fees and costs of legal advisers incurred by Zeus Capital and printing, filing and distribution charges;
- 10.1.5 the Company gives certain customary warranties and representations to Zeus Capital in relation, *inter alia*, to the accuracy of the information contained in this Document, financial information relating to the Company and other matters in relation to the Company and its business. Each of the Directors gives certain customary warranties and representations to Zeus Capital in relation, *inter alia*, to the accuracy of the information contained in this Document relating to him. In addition, Zeus Capital, its group companies and their respective directors, officers and employees have, subject to certain customary restrictions, the benefit of certain indemnities provided by the Company relating to certain losses and liabilities if they are incurred by such persons in the performance of their obligations and services pursuant to the Placing;
- 10.1.6 Zeus Capital may terminate the Placing Agreement at any time prior to Admission in certain circumstances, including a breach of any of the warranties contained in the Placing Agreement which is in the opinion of Zeus Capital (acting in good faith) material in the context of the Placing and upon the occurrence of certain force majeure events.

### 10.2 *Lock In Agreements:*

Under lock in and orderly market agreements dated 10 February 2014, each of the Directors (who, in aggregate, will immediately following Admission hold 20,000,000 Ordinary Shares, representing 54.72 per cent. of the Enlarged Share Capital) have undertaken to Zeus Capital, subject to certain limited exceptions:

- (i) not to dispose of any Ordinary Shares for a period of 12 months from the date of Admission in accordance with Rule 7 AIM Rules for Companies; and
- (ii) only to dispose of Ordinary Shares in accordance with the reasonable requirements of Zeus Capital for a further 12 month period so as to ensure an orderly market for the Ordinary Shares.

### 10.3 *The Nominated Adviser and Broker Agreement*

On 10 February 2014 the Company, the Directors and Zeus Capital entered into an agreement pursuant to which Zeus Capital has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules for Companies. Zeus Capital shall provide, *inter alia*, such independent advice and guidance to the Directors and the Company as they may require from time to time as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules for Companies. The Company has agreed to pay Zeus Capital a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Zeus Capital in the course of carrying out its duties as nominated advisor and broker.

The agreement is for a fixed period of one year and terminable on three months' notice given by either Zeus Capital or the Company. The agreement also contains provisions for early termination in certain circumstances and an indemnity given by the Company to Zeus Capital in relation to the provision by Zeus Capital of its services under the agreement.

10.4 The letter of engagement dated 27 January 2014 whereby the Company engaged Zeus Capital in relation to the Placing and Admission. Under this letter, the Company is to pay to Zeus Capital a fee of £150,000 and, 1 per cent. commission at the rate of 1 per cent. of the value of the Placing Shares at the Placing Price. The letter contains an indemnity (subject to certain customary restrictions) from the Company in favour of Zeus Capital, its group companies and their respective directors, officers and employees in relation to certain losses and liabilities if they are incurred in connection with the services to be provided by Zeus Capital pursuant to the letter.

10.5 On 12 November 2012 GT Biologics entered into a funding and collaboration agreement with the University of Aberdeen, lasting until November 2017. Under this agreement certain employees of the University are appointed to specified activities within GT Biologics, GT Biologics funding the individual's employment costs (or the relevant proportion of them, by reference to the amount of their time committed). Each relevant individual remains employed by the University. GT Biologics can terminate the agreement insofar as it relates to any individual on not less than five months' notice; and can require immediate suspension of all that individual's activities for GT Biologics. Intellectual property rights resulting from the activities belong to GT Biologics.

## **11. Litigation**

11.1 GT Biologics, in which the Company holds shares as stated in paragraph 2.7 of this Part V, has been threatened with legal proceedings by Professor Denise Kelly, a former director of this company, in relation to her removal as a director of the company in October 2013. GT Biologics Limited has in response asserted potential rights of action against Professor Kelly. As at the date of this document no quantified claim has been made by either party against the other and no proceedings have been commenced.

A transfer procedure set out in the articles of association of this company has been triggered in relation to Professor Kelly's holding of shares in GT Biologics equivalent to approximately 10.6 per cent. of the current issued ordinary share capital of GT Biologics. This procedure is ongoing and at an early stage, and may result in the acquisition of Professor Kelly's shares; though there is no obligation on any party to so acquire the shares.

11.2 Save as disclosed there are no governmental, legal or arbitration proceedings, which may have, or have had during the 12 months preceding the date of this Document, a significant effect on the Company's financial position or profitability or that of GT Biologics and the Directors are not aware of any such proceedings which are pending or threatened.

## **12. Related Party Transactions**

12.1 Save as set out in: (i) paragraph 7 of this Part V of this Document (Directors' Service Agreements and Letters of Appointment); (ii) paragraph 10 of this Part V of this Document (Material Contracts); and (iii) in paragraph 12.2 of this Part V of this Document, as far as the Directors are aware there have been and currently there are no agreements or other arrangements between the Company or its subsidiary, Schosween 18 Limited, and individuals or entities that may be deemed to be related parties prior to 10 February 2014 (being the latest practicable date prior to the publication of this Document).

12.2 On 4 December 2013 Schosween 18 Limited entered into a loan facility agreement with David Norwood under which it borrowed £500,000 from David Norwood, which funds were used to subscribe for the shares in GT Biologics acquired by the Company as stated in paragraph 2.7 of this Part V; the shares subsequently being charged in favour of David Norwood by a charge dated 19 December 2013. On 5 February 2014, the obligations of Schosween 18 Limited under such agreement were novated to the Company which acquired the said shares in GT Biologics, subject to the charge. Such borrowings are repayable on 31 December 2015 and accrue interest at 4 per cent. per annum above the Bank of England base rate, and accrued interest is payable on any loan repayment. It is proposed that such borrowings be repaid following Admission.

### **13. Working Capital**

The Directors, having made due and careful enquiry, are of the opinion that the working capital available to it and the Company, taking into account the bank facilities available and the estimated net proceeds of the Placing receivable by the Company, will be sufficient for its present requirements, that is for at least the 12 months from the date of Admission.

### **14. United Kingdom Taxation**

#### *14.1 General*

- 14.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident and domiciled in the UK, holding shares as investments. We have not considered the implications for Shareholders who acquire any shares or rights over shares in connection with any office or employment. The position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. The paragraphs below are based on current UK legislation and HMRC practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares traded on AIM are generally treated as unquoted for these purposes.
- 14.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.
- 14.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and should not be construed as constituting advice.

#### *14.2 Taxation of dividends*

- 14.2.1 Under current UK legislation, no UK tax is required to be withheld from dividend payments by the Company.
- 14.2.2 A UK tax resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "gross dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the gross dividend). Dividend income from the Company will be treated as forming the highest part of a Shareholder's income.
- 14.2.3 A UK tax resident Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross dividend. The income tax rates in respect of dividends are 10 per cent., 32.5 per cent. or 37.5 per cent depending on the taxable income of the individual but the individual will be able to set off the tax credit against this liability.
- 14.2.4 UK tax resident Shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals, are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HMRC.
- 14.2.5 A UK tax resident corporate holder of Ordinary Shares which receives a dividend paid by the Company will not generally be subject to tax in respect of that dividend, subject to certain exceptions.
- 14.2.6 Trustees of discretionary trusts receiving dividends from Ordinary Shares are also liable to account for income tax generally at the rate 37.5 per cent.
- 14.2.7 Whether a Shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit, will depend, in general, on the provisions of any double taxation convention which exists between the Shareholder's country of residence and the UK. A non-UK tax resident Shareholder may also be subject to foreign taxation on dividend income.
- 14.2.8 Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed, and what tax may be payable in respect of a dividend received from the Company, in the jurisdiction in which they are resident.

### *14.3 Taxation of chargeable gains*

- 14.3.1 For the purpose of UK tax on chargeable gains, the acquisition of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The amount paid for the Ordinary Shares will usually constitute the base cost of a Shareholder's holding.
- 14.3.2 If a Shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on his or her circumstances and subject to any available exemptions or reliefs, arise.
- 14.3.3 A UK tax resident individual Shareholder who disposes (or is deemed to dispose) of all or any of their Ordinary Shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.
- 15.3.4 A UK tax resident corporate Shareholder disposing of its Ordinary Shares may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (the main rate currently being 23 per cent.).
- 14.3.5 In computing the chargeable gain liable to corporation tax, the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the Ordinary Shares as increased by an indexation allowance to adjust for inflation, together with incidental costs of acquisition and disposal costs.
- 14.3.6 The UK operates a substantial shareholding exemption regime which may apply to the disposal of Ordinary Shares by corporate Shareholders subject to certain conditions being met.

### *14.4 Inheritance tax*

- 14.4.1 Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax.
- 14.4.2 Individuals and trustees subject to UK inheritance tax in relation to a holding of Ordinary Shares may be entitled to business property relief of up to 100 per cent. after a holding period of two years, provided that all the relevant conditions for the relief are satisfied at the appropriate time.
- 14.4.3 You should consult your taxation adviser if you are concerned with the potential UK inheritance tax implications of your Ordinary Shares.

### *14.5 Stamp Duty and Stamp Duty Reserve Tax*

- 14.5.1 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Placing Shares.
- 14.5.2 Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT (usually at a rate of 0.5 per cent. of the amount or value of the consideration). However please note that SDRT and stamp duty charges on trades made on AIM have been abolished from 28 April 2014.
- 14.5.3 The transfer of Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration (with such stamp duty being rounded up to the nearest £5).

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

## **15. General**

- 15.1 Total costs and expenses payable by the Company in connection with Admission and the Placing (including professional fees, commissions, the costs of printing and the fees payable to the Registrars) are estimated to amount to £470,000 (excluding VAT).

- 15.2 KPMG LLP, as the reporting accountant, has given and not withdrawn its written consent to the inclusion of its reports in Part III and IV of this Document in the form and context in which it is included.
- 15.3 Zeus Capital has given and not withdrawn its consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 15.4 The financial information in this Document relating to the Company does not comprise statutory accounts within the meaning of section 434(3) of the Act. No statutory accounts of the Company have been delivered to the Register of Companies in England and Wales.
- 15.5 Save as disclosed in this Document, the Directors are not aware of any patents or intellectual property rights, licences or industrial, commercial or financial contracts or new manufacturing processes which may be of material importance to the Company's business or profitability.
- 15.6 There has been no significant change in the financial or trading position of Schosween 18 Limited since 31 December 2013 being the date to which the audited financial information relating to Schosween 18 Limited has been prepared as set out in Part III of this document.
- 15.6.1 There has been no significant change in the financial or trading position of GT Biologics since 31 December 2013 being the date to which the audited financial information relating to GT Biologics has been prepared as set out in Part IV of this document 15.7 There have been no interruptions in the business of the Company, which may have or have had since incorporation a significant effect on the financial position of the Company or which are likely to have a material effect on the prospects of the Company for the next 12 months.
- 15.7 The Directors are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects in the period commencing on the date of this document until 31 December 2014 or (ii) any trends in production, sales and inventory, and costs and selling prices between incorporation and the date of this document.
- 15.8 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.9 The accounting reference date of the Company is 31 December. The auditor of the Company is KPMG LLP, whose registered office is at 15 Canada Square, London E14 5GL, a member firm of the Institute of Chartered Accountants in England and Wales.
- 15.10 Other than contractual arrangements with employees and consultants and payments in the ordinary course of business, and save as set out in this Document, no person (excluding those professional advisers referred to in this Document and trade suppliers) has:
- 15.10.1 received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
- 15.10.2 entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, any of the following:
- (i) fees totalling £10,000 or more;
  - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or
  - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 15.11 There are no investments to be made by the Company or any other member of the Company in the future in respect of which firm commitments have been made.

## **16. Availability of Admission Document**

A copy of this Document is available free of charge from the registered office of the Company, and at the offices of Zeus Capital at 3 Ralli Courts, West Riverside, Manchester, M3 5FT, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until one month after the date of Admission. A copy of this Document is also available on the Company's website, [www.4dpharmaplc.com](http://www.4dpharmaplc.com).

Dated 11 February 2014

