This document comprises a prospectus relating to PuriCore plc (the "Company") and to the application which has been made, in accordance with paragraphs 6.1.3 and 6.1.4 of the Listing Rules, to the UK Financial Services Authority for all of the Ordinary Shares, issued and to be issued in connection with the Placing, to be admitted to the Official List and to the London Stock Exchange ("Admission"). This document has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000. The Prospectus will be made available to the public in accordance with the Prospectus Rules.

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 30 June 2006. **No application is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.**

The directors of the Company, whose names appear on page 22 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Placing described in this document is only being made in the United Kingdom, Belgium, Germany, Switzerland, Sweden and the Netherlands. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")) except to certain non US persons in offshore transactions in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this document, see "Details of the Placing" set out in Part III of this document.

See "Risk Factors" in Part II of this document for a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares.

PuriCore plc

(incorporated in England and Wales under the Companies Act 1985 with registered no. 5789798)

Placing of 45,454,546 Ordinary Shares of 1p each at the Placing Price of 66p per Ordinary Share and admission to the Official List and to trading on the London Stock Exchange

Sponsor and Financial Adviser

NOMURA CODE SECURITIES LIMITED

Joint Bookrunners, Joint Lead Managers and Joint Underwriters

NOMURA CODE SECURITIES LIMITED **NOMURA INTERNATIONAL**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Authorised		*Ordinary Shares of 1p each*	*Issued and fully paid*	
Number	*Nominal Value*		*Number*	*Nominal Value*
210,000,000	£2,100,000		151,838,792	£1,518,388

The New Ordinary Shares to be issued pursuant to the Placing will, on Admission, rank *pari passu* in all respects with each other and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

Nomura Code Securities Limited and Nomura International plc (together the "Joint Lead Managers") are acting exclusively for the Company and no one else in connection with the Placing. Neither of the Joint Lead Managers will regard any other person (whether or not a recipient of this document) as its client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for the giving of advice in relation to the Placing or any transaction or arrangement referred to in this document.

In connection with the Placing, the Company has agreed to issue additional New Ordinary Shares to subscribers nominated by the Joint Lead Managers, in each case in the proportions and as otherwise directed by the Joint Lead Managers.

Investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Placing and, if given or made, such information or representations must not be relied upon as having been so authorised by or on behalf of the Company or the Joint Lead Managers. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this document at any time nor any issue, subscription or sale made of Ordinary Shares under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group since the date of this prospectus or that the information contained herein is correct as of any time subsequent to its date.

In connection with the Placing, the Joint Lead Managers and any of their respective affiliates, acting as investors for its or their own accounts, may subscribe for and / or acquire Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Ordinary Shares, any other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by the Joint Lead Managers and any of their respective affiliates acting as an investor for its or their own accounts. The Joint Lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This document does not constitute an offer of, or the solicitation of any offer to subscribe for or buy any securities other than the securities to which it relates, or an offer of, or the solicitation of an offer to subscribe for or buy such securities by any person in any circumstances or jurisdiction in which such offer or solicitation is unlawful.

The distribution of this document and the offer and sale of Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or the Joint Lead Managers that would permit a public offering of the Ordinary Shares or to permit the possession or distribution of this document (or any other offering or publicity materials or application forms relating to Ordinary Shares) in the UK or any other jurisdiction where action for that purpose may be required. Accordingly, neither this document, nor any advertisement or any other offering or publicity materials may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer of, or an invitation to subscribe for or purchase, any Ordinary Shares in any jurisdiction in which such offer or invitation would be unlawful.

Further information with regard to restrictions on offers and sales of the Ordinary Shares and the distribution of this document is set out in Part III – "Details of the Placing".

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each person receiving a copy of this document by accepting delivery of this document agrees to the foregoing.

Each subscriber of Ordinary Shares offered hereby in making its subscription will be deemed to have made certain acknowledgements, representations and agreements as set out in Part III – "Details of the Placing".

The information contained in this document has been provided by the Company and other sources identified herein. The Joint Lead Managers make no representation, express or implied, nor accept any responsibility, with respect to the accuracy, completeness or fairness of any of the information or opinions contained in this document. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or the Joint Underwriters that any recipient of this document should subscribe for or purchase the Ordinary Shares. **Each potential investor of Ordinary Shares should determine for himself, herself or itself the relevance of the information contained in this document and any investment in Ordinary Shares should be based upon such investigation as it deems necessary.**

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements". All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development and rationalisation plans and objectives relating to the Group's products), or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group 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 Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those in forward-looking statements include those factors described in Part II – "Risk Factors", Part VI – "Information on the Group", Part VIII – "Operating and Financial Review" and elsewhere in this document. These forward-looking statements speak only as of 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 Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by the Prospectus Rules, the Listing Rules or the Disclosure Rules.

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PART I: SUMMARY INFORMATION

The following summary information does not purport to be complete and should be read as an introduction to this prospectus. Any decision by a prospective investor to invest in Ordinary Shares should be based on consideration of the document as a whole and not solely on this summarised information. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area (EEA), civil liability will attach to the Directors in any such member state for this summary, including any translation hereof if, but only if, this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document. Where a claim relating to the information contained in this document is brought before a court, the claimant investor might, under the national legislation of the EEA states, be required to bear the costs of translating this document before legal proceedings are initiated.

1. Information on the Company

PuriCore is a life sciences company focused on the development and commercialisation of its proprietary technology that mimics the production by the human immune system of its natural anti-microbial (hypochlorous acid) which protects the body from infection. Hypochlorous acid is highly effective at killing pathogens such as bacteria, viruses and fungal spores yet is safe and environmentally friendly.

PuriCore's principal subsidiary PuriCore, Inc., formerly known as Sterilox Technologies, Inc., markets a portfolio of branded systems (the "Sterilox Systems" or "Systems") which produce hypochlorous acid solutions from water, electricity and common salt. These solutions (the "Sterilox Solutions" or "Solutions") are non-toxic, non-hazardous and yet effective at killing a wide range of pathogens. PuriCore was the recipient of *Frost and Sullivan's* 2005 Technology Innovation Award which stated that "it is certain that Sterilox is likely to emerge to be the disinfectant of choice in the future."

The Sterilox Systems incorporate proprietary electrolysing cells (the "Sterilox Cells" or "Cells"), proprietary software and process controls which enable the production of Sterilox Solutions from salt water to required specifications on a reliable and consistent basis. The Company places the Sterilox Systems with its customers either on a rental basis or as a capital sale, enabling the customer to produce Sterilox Solution on-site and on-demand. The Directors believe that the Sterilox System represents a scaleable, platform technology that can be readily applied to new geographical and customer markets and applications worldwide.

2. Summary Financial Information

The following table sets out summary financial information, prepared in accordance with US GAAP for the year ended 31 December 2003 and IFRS for the years ended 31 December 2004 and 2005, comprising a consolidated profit and loss account and balance sheet. This financial information relates to Sterilox Technologies, Inc., (now known as PuriCore, Inc.) the principal operating subsidiary of, PuriCore plc. PuriCore plc, a newly incorporated public limited company, acquired PuriCore, Inc. and its subsidiaries, pursuant to a merger agreement dated 16 May 2006 and is the company which is seeking Admission.

CONSOLIDATED INCOME STATEMENTS

For the years ended 31 December

	US GAAP 2003 $	*IFRS 2004 $*	*IFRS 2005 $*
Continuing operations			
Revenue	9,505,738	11,285,422	12,835,954
Gross profit	4,082,080	3,535,294	3,874,360
Earnings before interest and tax	(6,605,701)	(10,873,451)	(11,807,858)
Loss before tax	(7,733,134)	(14,354,124)	(12,915,915)
Income tax expense	(518,243)	—	—
Loss for the year	(8,251,377)	(14,354,124)	(12,915,915)

CONSOLIDATED BALANCE SHEETS

For the years ended 31 December

	US GAAP *2003*	IFRS *2004*	IFRS *2005*
	$	*$*	*$*
Total non current assets	7,094,541	6,618,379	9,169,000
Current assets			
Inventories	2,525,689	3,359,681	3,731,050
Trade and other receivables	1,376,031	1,758,427	2,882,226
Other loans receivable	—	2,300,000	1,775,226
Other current assets	317,678	—	—
Cash and cash equivalents	1,629,621	—	952,842
Total current assets	5,849,019	7,418,108	9,341,344
Total assets	12,943,560	14,036,487	18,510,344
Total current liabilities	(5,873,808)	(11,191,783)	(9,038,449)
Total non current liabilities	(9,786,569)	(13,213,374)	(2,906,798)
Total liabilities	(15,660,377)	(24,405,157)	(11,945,247)
Net (liabilities)/assets	(2,716,817)	(10,368,670)	6,565,097

3. Principal Business Units

To date the Company has concentrated its resources on three core business units, focused on the following markets:

- disinfection of heat sensitive medical instruments, specifically endoscopes ("Endoscopy"). The Directors believe that there will be a global addressable market of up to $1.0 billion by 2009[(1)]. To date, the Company has focused primarily in the UK in this business unit;
- food safety, in particular for the removal of pathogens and extension of shelf life in fresh produce, flowers and seafood in supermarkets ("Food Safety"). The Directors believe that there will be an addressable market in the US Food Safety market of up to $350 million by 2009[(2)]. To date, the Company has focused exclusively in US in this business unit; and
- dentistry, in particular the removal of microbial contaminants and biofilm from dental water lines ("Dental"). The Directors believe that there will be a global addressable market of up to $200 million by 2009. To date, the Company has focused predominately in the UK and US in this business unit.

4. PuriCore Technology

The Sterilox Systems electrochemically generate hypochlorous acid solutions, the Sterilox Solutions, from salt and water at a range of concentrations and at a nearly neutral pH range to meet the customer needs of each application.

Hypochlorous acid is a well known and well characterised oxidant and is a critical chemical produced by the human body's natural immune system at a near neutral pH to fight infection. In an immune response, invading pathogens are engulfed by white blood cells called neutrophils by the process of phagocytosis. The pathogen is then encapsulated by a phagosome, which generates hypochlorous acid as the final step of the Oxidative Burst Pathway or the phagocytic killing mechanism. Large quantities of hypochlorous acid are released into the phagosome to destroy the invading pathogen.

Sterilox Solutions mimic the body's hypochlorous acid and are highly effective as a biocide against a broad spectrum of resistant pathogens, spores and biofilms in the environment, in particular MRSA, *E. coli*, Tuberculosis, Legionella, HIV, poliovirus, *Helicobacter pylori* and norovirus.

5. Risk factors

Prior to investing in the Ordinary Shares, prospective investors should consider the risks associated therewith, including:

Risks relating to the Group's business:

- the Group is reliant on core technology and development;

- the Group's products are subject to various US, European and other legislative and regulatory requirements;
- the Group is dependent on key personnel;
- the Group's international operations expose it to risks;
- Sterilox Solutions remain effective only for a limited period of time;
- the Sterilox Solutions may cause damage to the protective coating of some endoscopes;
- the Group relies on third party vendor financing to fund part of the capital costs of its equipment;
- the Group is dependent on a limited number of sub-contract manufacturers to produce certain components within its products;
- the Group is subject to inventory risks because it builds its Systems based on forecasts and places and may continue to place purchase orders with sub-contract manufacturers before orders from its customers are received;
- the Group's future operating results will be highly dependent on how well it manages the expansion of its operations; and
- the Group is not the only company addressing its markets and faces competition from other sources of disinfectants.

Risks relating to the Group's financial position:

- failure to use each System for the full period of its budgeted lifespan could cause the Group to incur losses;
- the Group is reliant on a small number of significant customers;
- there is no certainty of the Group achieving future revenue or profitable operating results;
- the Group has a history of operating losses and an accumulated deficit;
- the Group is exposed to foreign exchange fluctuations;
- the tax losses of companies in the Group are open to challenge by the tax authorities;
- an investment in the Ordinary Shares may not be suitable for recipients of this document;
- the Ordinary Shares have not been registered under the US Securities Act and there are restrictions on transfer under the US Securities Act; and
- the Group may be exposed to US securities registration and compliance costs.

Risks relating to the Placing, the Ordinary Shares and the capitalisation of the Group:

- there can be no assurance that an active trading market for the Ordinary Shares will develop or, if it develops, continue;
- the market price of Ordinary Shares sold in the Placing may be frequently subject to volatility for a period of time following the Placing;
- the Group has never paid any cash dividends on its Ordinary Shares;
- US shareholders may be not be able to exercise pre-emptive rights for their Ordinary Shares;
- substantial future sales of Ordinary Shares could adversely affect the market price of Ordinary Shares; and
- application of proceeds from the Placing may not increase the Group's profits or share price.

Risks relating to intellectual property and litigation:

- the Group may be unable to adequately protect its intellectual property;
- the Group may be unable to adequately protect its proprietary information and know-how;
- intellectual property litigation and/or infringement actions may be brought against the Group; and
- the business of the Group exposes its products to potential product liability risks.

6. The Placing

Under the Placing the Company will issue an aggregate of 45,454,546 Ordinary Shares at 66 pence per Ordinary Share raising proceeds of approximately £26.4 million, net of expenses. No Ordinary Shares have been marketed to, nor are any available for purchase in whole or in part by, the public in the United Kingdom or elsewhere prior to Admission.

Under the Placing, which is conditional on Admission becoming effective and on the Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms (such terms being typical for a transaction of this nature but including the completion of the merger), all Ordinary Shares will be issued at the Placing Price. The Joint Lead Managers have agreed to procure subscribers for or, failing which to subscribe themselves for 44,060,572 of the New Ordinary Shares which are being offered in the Placing, such underwriting to be committed and unconditional at Admission, subject only to Admission taking place. The balance of the New Ordinary Shares the subject of the Placing in respect of which the Company is in receipt of cleared funds (or in the case of 75,757 New Ordinary Shares to be subscribed by certain Directors, an undertaking to pay) will be issued at the Placing Price conditional upon Admission to subscribers procured by the Company.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 08:00 am (London time) on 30 June 2006.

7. Reasons for the Placing

The Directors anticipate that the Placing will:

- raise new capital to facilitate the Company's growth strategy;
- increase the Company's profile;
- enhance the Company's reputation with suppliers and customers; and
- assist in recruiting, retaining and incentivising management and employees.

8. Use of proceeds

The net proceeds to be received by the Company through the Placing are estimated to be approximately £26.4 million.

The Company intends to use the net proceeds of the Placing to continue to fund its growth strategy. Pending commitments on development projects, cash proceeds will be held as term deposits with the Company's bankers. In particular, the Company intends to use the net proceeds to:

- increase financial flexibility to self fund the rental model;
- facilitate growth in new and existing markets;
- invest in research and development opportunities for new geographic, customer and product markets;
- strengthen the Company's balance sheet; and
- general working capital purposes.

9. Current trading and prospects for the Company

The Group's sales in the three month period from 1 January 2006 to 31 March 2006 have increased significantly compared with the three month period ended 31 March 2005 and compared with the last quarter of the Company's 2005 financial year end, in particular with the Endoscopy business unit in the UK and the Food Safety business unit in the US have in particular demonstrated substantial growth. Directly related to the increase in sales, the operating loss has reduced significantly from the last quarter of 2005 to the first quarter of 2006.

10. Dividend policy

PuriCore is primarily seeking to achieve capital growth for its shareholders. It is the Board's intention during the current phase of the Group's development to retain future distributable profits from the business to the extent any are generated. The Directors do not anticipate declaring any dividends in the foreseeable future.

11. Capitalisation and Indebtedness

The Group's capitalisation as at 31 December 2005 was $93,383,384 and as at 31 March 2006 the Group's net financial indebtedness was $1,777,213.

12. Lock-up arrangements

The Company has agreed not to issue Ordinary Shares during the period of twelve months following Admission except to satisfy existing options and warrants which are exercised during the period. In addition, the Directors, Senior Management and all employees will be subject to a separate twelve month lock-up period in respect of their Ordinary Shares after which for a further twelve months the Directors and Senior Management can sell only through Nomura Code Securities. Certain Shareholders holding approximately 58.6 *per cent* of the Enlarged Issued Share Capital have agreed not to dispose of Ordinary Shares during the period of six months following Admission, furthermore thereafter, certain Shareholders holding approximately 46.1 *per cent* of the Enlarged Issued Share Capital have agreed for a further six months to sell only through Nomura Code Securities. In addition, certain Shareholders who in aggregate own 6.5 *per cent* of the Enlarged Issued Share Capital have indicated in writing, on a non-binding basis, that it is not their intention to dispose of any such Ordinary Shares during the 6 months following Admission. Certain option holders and warrant holders will be subject to a twelve month lock-up period in respect of any Ordinary Shares issued as a result of such option or warrant.

PART II: RISK FACTORS

Any investment in the Group's Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should consider carefully the factors and risks attaching to an investment in the Group's Ordinary Shares, together with all other information contained in this document including, in particular, the risk factors described below. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business. Investors should consider carefully whether an investment in the Group's Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group is reliant on core technology and development

The Group is reliant on its core technology platform and is subject to competition from competitors who may develop more advanced and less expensive both for its existing products and for those products currently under development. The Group's products are targeted at markets where a number of competing commercial products may already be available and where competitors may also have new products in development. In relation to future products, competitors may precede the Group in commercialising, developing and receiving regulatory approval for their products and competitors may also succeed in developing products that are even safer, more effective or more economically viable than products developed by the Group. Competitors may have greater research, development, marketing, financial and personnel resources, which may result in commercial successes that could render the Group's technology and products obsolete or otherwise non-competitive. Similarly, changes in attitudes towards forms of anti-microbial products may adversely affect the commercial prospects and success of the Group's products. In addition, there can be no assurance that the Group's products will be favoured over existing products. There can be no assurance that the Group's future products, even if approved for marketing, will achieve commercial success and generate significant future revenues for the Group.

The Group's products are subject to various US, European and other legislative and regulatory requirements

The Group's products are subject to various US, European and other legislative and regulatory requirements. If the Group or its third party manufacturers fail to satisfy legislative and regulatory requirements this could result in the imposition of sanctions on the Group, including fines, injunctions, civil penalties, import bans, delays, suspension or withdrawal of approvals, licence revocation, seizures or recall of products, operating restrictions and criminal prosecutions, any of which could materially harm the Group's product development and commercialisation efforts. Legislative changes or regulatory reform of the healthcare systems in the countries in which the Group operates may also affect the Group's ability to sell its products profitably or at all. Further the Group may not be successful in securing regulatory approval for devices or products it may develop in the future. Any or a combination of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on key personnel

Competition for qualified employees and personnel in scientific research and life science industries is intense, and there are a limited number of persons with knowledge appropriate to, and experience within, such industries. Identifying personnel with the necessary skills and attributes required to enable the Group to carry out its strategy is difficult, and often can entail a lengthy search process. There is no guarantee, therefore, that the Group will be successful in attracting and retaining qualified executives, scientists and other personnel. In addition, there can be no assurance that the Group will continue to attract persons of sufficient and appropriate experience to serve as Executives and Directors. The loss of the services of key personnel or the inability to attract additional qualified personnel could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

The Group's international operations expose it to risks

Because some of the components contained within the Group's devices are manufactured outside the United Kingdom and because the Group intends to sell a substantial portion of its products outside the United Kingdom, it is subject to additional risks related to operating in foreign countries.

Sterilox Solutions remain effective only for a limited period of time

Sterilox Solutions lose their biocidal potency after a relatively short period of time and are inactivated in presence of organic matter therefore are also not suitable for long term storage. In order to overcome this, the Group has developed Sterilox Systems to produce Sterilox Solutions on-site and on-demand. The installation of the Sterilox Systems at the customer's location involves planning, human resource and additional costs, not required by many of the Group's competitors, in order to ensure the correct installation and ongoing operation of the Sterilox Systems.

The Sterilox Solutions may cause damage to the protective coating on some endoscopes

In 1998, the Sterilox Group discovered that the use of Sterilox Solutions on some endoscopes in certain cases damaged the protective coating on the insertion tubes of such endoscopes over time. The impact of these materials compatibility concerns was that market acceptance of the Sterilox Solutions in the UK was adversely affected, slowing sales and creating costs as the Group rectified issues with endoscopes that were not covered by warranty. The Group notes that oxidising disinfectants such as peracetic acid and chlorine dioxide, used by competing systems, can have a similar effect on both the insertion tubes and the metal elements of the endoscopes. The Group has developed and markets a remedy for this problem, consisting of an inert wipe ("E-wipe") that is applied to the endoscope. Subsequently, the Group and various endoscope manufacturers have entered into a series of agreements and test protocols designed to validate this solution and allow these manufacturers to accept the use of the Sterilox Solution as a high level disinfectant/sterilant for their endoscopes. The endoscope manufacturers have agreed with the Group that the use of Sterilox Solutions on their endoscopes will not invalidate UK warranties or service agreements provided by these manufacturers when the E-wipe system is used per the agreed manufacturers protocol. The proprietary wipe developed by the Group is now used by all UK customers in the Endoscopy market, except where the customers use endoscopes from manufacturers that have stated it is not required. The Group's practice has historically been to reimburse for insertion tube costs if directly attributed to the solution but the incidence continues to reduce as customers adopt the E-wipe in accordance with the agreed manufacturers protocol.

The Group relies on third party vendor financing to fund part of the capital costs of its equipment

If the Group loses the benefit of its third party finance relationship it may not be able to source alternative financing on similar terms. Furthermore, if the Group chose to fund the capital costs of its equipment itself, it would result in considerable levels of cash outflow, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on a limited number of sub-contract manufacturers to produce certain components within its products

The Group is dependent on a limited number of sub-contract manufacturers to produce its range of products. Although the Group regularly considers additional sub-contract manufacturers, there can be no guarantee that the Group will be able to access additional sources to manufacture these integral products. Although the Group expects that its products will be manufactured, assembled and tested as is currently done for the foreseeable future, and that appropriate supply chain systems for order management and quality control will continue to be applied, there is no guarantee that its sub-contractors will continue to devote adequate resources to the production of the Group's devices or deliver sufficient quantities of finished devices on a timely basis or at an acceptable cost.

The Group is subject to inventory risks because it builds its Systems based on forecasts and places and may continue to place purchase orders with sub-contract manufacturers before orders from its customers are received

The Group usually makes forecasts and places purchase orders with its sub-contractors for its devices before the Group receives purchase orders from its own customers. This limits the Group's ability to react to fluctuations in demand for its devices and may cause the Group to have a shortage, or an excess, at any given time. As a result of the variations in lead time for ordering and obtaining the components and services required to build the devices, the Group may from time to time be unable to meet customer orders, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's future operating results will be highly dependent on how well it manages the expansion of its operations

The Group has experienced, and may continue to experience, periods of rapid growth in the number of its customers and in the number of devices that it installs. This, in turn, would likely necessitate an increase in the number of the Group's employees, its operating and financial systems, sub-contract manufacturers and the geographic scope of its operations. This growth and expansion may place a significant strain on the Group's financial, management and other resources. To manage its expanded operations effectively, the Group will be required to continue to improve its existing operational, financial and management processes and to implement new systems. The Group is reliant upon distribution sales in some of its Dental and Endoscopy markets sales particularly as it expands its operation and is therefore dependent on such distribution to achieve growth and expansion of its operations.

RISKS RELATING TO THE GROUP'S FINANCIAL POSITION

Failure to use each System for the full period of its budgeted lifespan could cause the Group to incur losses

The Group accounts for each rented System having a life of 3 to 5 years of operating use. If a rental contract is terminated by the customer prior to the term of the rental agreement and/or the Group fails to gain customer renewals or find for any reason an alternative customer for said System, it could result in the Group writing off the remaining net book value of the System. Furthermore, if a System becomes incapable of operating to the required standard before the expiry of its accounted 3 to 5 year lifespan and it is not possible to remedy the problem, or the remedying of the problem is prohibitively expensive, the Group will lose revenue in respect of such a device. In the event that such a device had been used as security in conjunction with a third party financing arrangement, the Group would still have the obligation to service the financing arrangement without having the associated benefits of the rental income. Any of these factors could result in the Group incurring losses.

The Group is reliant on a small number of significant customers

The Group is reliant on a small number of significant customers for its products in some of its business areas. Failure to deliver products to such customers or termination by any of these customers of their agreements with the Group could have a material adverse affect on the Group's results or operations or financial condition.

There is no certainty of the Group achieving future revenue or profitable operating results

The Group plans to expand its business activities by raising capital and investing a portion of it in several new and emerging products and markets for which little historic trading information exists. As a consequence, the Group's future revenue is difficult to forecast. As a result of the rapidly evolving nature of the Group's business, together with the Group's limited operating history, the Directors believe that any period to period comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The Group's results may fluctuate from period to period as a result of a variety of factors and may not achieve profitability. The Group does not expect to pay dividends for the foreseeable future. The results of the Group's operations may not meet the future expectations of public market analysts or investors, and the market price of the Ordinary Shares could be substantially adversely affected.

The Group has a history of operating losses and an accumulated deficit

The companies in the Sterilox Group have experienced operating losses in each year since its inception and, as at 31 December 2005, had an accumulated deficit of approximately $89 million. The companies in the Group expect to incur further operating losses as they continue developing product offerings and expand geographically. There can be no assurance that the Group will ever achieve significant revenues or profitability.

The Group is exposed to foreign exchange fluctuations

As a consequence of the international nature of its business, the Group is exposed to risks associated with foreign currency exchange rates. The proceeds of the Group's fundraising are expected to be in pounds sterling. The Group's corporate headquarters are located in the US and it presents financial statements in US dollars. The Group expects its future revenues to be denominated in several

currencies, in particular the US dollar, Euro and sterling. Therefore, movements in foreign currency exchange rates may have an impact on the Group's reported results of operations, financial position and cash flows, that are not necessarily related to the Group's results of operations.

To date, the Group has not entered into any currency transactions to hedge its fixed costs exposures, nor has it any plans to do so, although it may enter into such transactions in the future. However, the Group cannot assure investors that such hedging transactions will be available at a reasonable cost or will be successful in reducing these exposures. Any losses incurred in connection with such hedging transactions could have a material adverse effect on the Group's results of operations or financial condition.

The tax losses of companies in the Group are open to challenge by the tax authorities

The tax returns of companies in the Group are still open to enquiry. Should the relevant tax authority successfully challenge the level of losses which are stated in further detail in Part XI – "Financial Information" of this document, this would reduce the losses available to offset against any future taxable profits.

An investment in the Ordinary Shares may not be suitable for recipients of this document

An investment in Ordinary Shares may not be suitable for recipients of this document. Before making an investment decision, potential investors are accordingly advised to consult their financial, legal and tax advisers.

The Ordinary Shares have not been registered under the US Securities Act and there are restrictions on transfer under the US Securities Act

The Ordinary Shares have not been registered under the US Securities Act of 1933, as amended (the "US Securities Act"). The New Ordinary Shares are being offered only to non-US persons outside the US in transactions exempt from the registration requirements of the US Securities Act in reliance on Regulation S (as described in Part III – "Details of the Placing"). The Placing Shares may not be offered, sold or delivered in the US or to, or for the account or benefit of, any US Person unless the transfer is registered under the US Securities Act, or an exemption from the registration requirements is available or under transactions specified by Regulation S promulgated under the US Securities Act. Only the Group is entitled to register the Ordinary Shares under the US Securities Act and the Group has no obligation to do so. The Group can give no assurances that an exemption from registration under the US Securities Act will be available to any subscribers for or purchasers of Ordinary Shares. The Ordinary Shares will bear a legend describing restrictions on transfer to US Persons. Each subscriber for Ordinary Shares by subscribing for the Ordinary Shares agrees to re-offer or resell them only in accordance with the provisions of Regulation S, pursuant to registration under the US Securities Act, or pursuant to an available exemption from registration.

The above restrictions severely restrict purchasers of Ordinary Shares from reselling the Ordinary Shares in the United States or to a US Person. The Ordinary Shares will not be admitted for trading on NASDAQ or on any US securities exchange in connection with the Placing.

The Group may be exposed to US Securities Registration and Compliance Costs

An increase beyond a certain number of holders of record of Ordinary Shares worldwide as a result of trading in Ordinary Shares that occurs following the Placing could cause the Group to become subject to certain registration and filing requirements of the US Securities and Exchange Commission (the "SEC") pursuant to the US Securities Exchange Act of 1934, as amended (the "US Exchange Act"). Generally, a company will be subject to such registration and filing requirements if, as of the end of its fiscal year, any class of its equity securities are held of record by more than 500 holders worldwide and the company has more than $10 million in total assets. However, the US Exchange Act provides an exemption for securities of any class issued by foreign private issuers, including the Company. Such securities are exempt from the registration and filing requirements of the US Exchange Act if the class has fewer than 300 holders resident in the US. If the Group does not satisfy this exemption but otherwise is subject to the registration and reporting requirements of the US Exchange Act, the Group, as a foreign private issuer, may satisfy the registration and reporting requirements by providing certain limited information as permitted by the SEC.

Compliance with US Exchange Act would result in the Group being required to file periodic and certain other reports with the SEC describing its results of operations and certain other corporate events. In

addition, the Group would, as a result, become subject to certain of the corporate governance provisions of the Sarbanes-Oxley Act of 2002.

Required compliance with any of the foregoing would result in increased costs to the Group and demands upon the Group and its resources, and would require management to spend time focusing on matters other than the Group's primary operations.

RISKS RELATING TO THE PLACING, THE ORDINARY SHARES AND THE CAPITALISATION OF THE GROUP

There can be no assurance that an active trading market for the Ordinary Shares will develop or, if it develops, continue

Prior to the Placing, there was no public market for the Ordinary Shares. The Ordinary Shares are expected to be listed on the Official List of the Financial Services Authority. However, the Group can give no assurance that an active trading market for the Ordinary Shares of the Group will develop or, if it develops, continue. The Placing Price may not be indicative of the market price for the Ordinary Shares at any time following Admission. If an active trading market does not develop or continue, the liquidity and trading price of the Ordinary Shares could be adversely affected. If there is a long-term decline in the price of the Ordinary Shares, it would adversely affect the Group's ability to access the capital markets and to pursue future business plans, such as expansion of its operations or possible acquisitions in order to acquire new technologies and/or market shares.

The market price of Ordinary Shares sold in the Placing may be frequently subject to volatility for a period of time following the Placing

The market price of Ordinary Shares sold in the Placing may be frequently subject to volatility for a period of time following the Placing. The market price of the Ordinary Shares could be subject to significant fluctuations due to a variety of factors, including, among other things, actual or anticipated fluctuations in the Group's operating performance, announcements of product developments by existing and future competitors, regulatory changes, changes in financial estimates by securities analysts, changes in the Group's key personnel or potential litigation. Prospective investors should be aware that they may not be able to resell any Ordinary Shares purchased at or above the Placing Price.

The Group has never paid any cash dividends on its Ordinary Shares

As the Group has yet to achieve profitability no dividends have been paid to date and for the foreseeable future it intends to retain all available funds and any future earnings, to fund the growth and needs of the Group. In addition, any future dividend payments to shareholders will depend upon a number of factors, including its results of operations and financial condition, contractual restrictions and other factors considered relevant by the Board. In addition, under English law, any payment of dividends can only be made out of profits available for distribution determined in accordance with the Companies Act.

US shareholders may not be able to exercise pre-emptive rights for their Ordinary Shares

In the case of an increase in the issued share capital of the Group, the Group's existing shareholders will be entitled to pre-emptive rights pursuant to the Articles unless waived by a resolution of the shareholders at a general meeting. To the extent that pre-emptive rights are not waived, US holders of the Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless a registration statement under the Securities Act is effective with respect to such rights, or an exemption from the registration requirements thereunder is available.

Substantial future sales of Ordinary Shares could adversely affect the market price of Ordinary Shares

Following the Placing and Admission, the Enlarged Issued Share Capital will be 151,838,792 Ordinary Shares and there will be outstanding options and warrants exercisable for the issue of a further 21,618,086 Ordinary Shares (representing 14.2 *per cent* of the Enlarged Issued Share Capital). Sales, or the possibility of sales, of substantial numbers of Ordinary Shares in the public or private market by the Group's existing shareholders following the offering could have an adverse effect on the market trading prices of the Ordinary Shares. While the Group and the Directors and certain other Shareholders have agreed to certain restrictions on the offer, sale, pledge or disposal of Ordinary Shares for various limited periods of time following the date of Admission without the prior written consent of Nomura Code Securities, as described in Part III – "Details of the Placing" and Part XV – "Additional Information" of this document upon the expiration of these lock-up arrangements a large

number of additional Ordinary Shares will become available for sale. Approximately 58.6 *per cent* of the Ordinary Shares at Admission will be subject to lock-up arrangements.

Application of proceeds from the Placing may not increase the Group's profits or share price

The Directors will have considerable discretion in the application of the net proceeds of the Placing. Potential investors will not have the opportunity to assess whether the proceeds are being used appropriately. Potential investors must rely on the judgment of the Directors regarding the application of the net proceeds of the Placing. The net proceeds may be used for corporate purposes that do not increase the Group's profitability or increase its share price. In addition, pursuant to a Promissory Note and Security Agreement dated 19 April 2006 (the "Note"), the Group is required to maintain, upon the consummation of an initial public offering, average cash deposits totalling an aggregate amount equal to at least 200 *per cent* of the outstanding principal balance and any other obligations under the Note, with Commerce Bank, N.A. (US) as determined on a quarterly basis. However, the Group has the option of early repayment of the promissory note without penalty, thereby eliminating this requirement. Furthermore, the net proceeds of the Placing may be placed in investments that fail to produce income or that could lose value. See also Part IX – "Use of Proceeds".

RISKS RELATING TO INTELLECTUAL PROPERTY AND LITIGATION

The Group may be unable to adequately protect its intellectual property

The Group is the owner of intellectual property rights, including patents, trade marks, designs, copyright, trade secrets and confidential information details of which are set out in Part VI and XIV of this document. While it may apply from time to time to register additional patents, trade marks, designs and copyright and take reasonable steps to protect its trade secrets and confidential information, there can be no assurance that any of its registered intellectual property rights will not be successfully challenged or that third parties will not misappropriate such secrets and information. The Group relies to a great extent on its patents and whilst no validity challenges have previously been made there is no guarantee that they will not be made in the future. Other companies may obtain intellectual property rights based on developments in technology used by the Group. Without obtaining a licence to utilise such intellectual property rights, the Group would be restricted from utilising such new developments. Any misappropriation, or challenge or failure to obtain a licence could have a material adverse effect on the Group's business, financial condition and results of operations and may require it to engage in litigation.

The Group may be unable to adequately protect its proprietary information and know-how

In addition to its patented technology, the Group relies upon unpatented proprietary technology, processes and know-how. The Group has confidentiality agreements in place with customers, suppliers and employees who have access to its proprietary information and know-how, but such agreements may be breached and the Group may not have adequate remedies for any breach. In addition, the Group's trade secrets may otherwise become known or be independently developed by competitors. If certain parts of the Group's proprietary information and know-how were to become public knowledge, then the value of the Group's products could be adversely affected which could have a material adverse effect on the Group's business, financial condition and results of operations.

Intellectual property litigation and/or infringement actions may be brought against the Group

Although the Group has not been notified that any products or Systems infringe any third party intellectual property rights, there can be no assurance that the Group will not receive such a notification in the future. Any litigation to determine the validity of third-party infringement claims, whether or not determined in the Group's favour or settled by the Group, would be costly and could divert the efforts and attention of the management and technical personnel from productive tasks, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Directors cannot guarantee that infringement claims by third parties or claims by customers or end users of our products resulting from infringement claims will not be asserted in the future or that such assertions, if proven to be true, will not materially adversely affect the Group's business, financial condition and results of operations. In the event of an adverse ruling in any such matter, the Group could be required to pay substantial damages, cease the manufacture, use and sale of infringing products, discontinue the use of certain processes or obtain a licence under the intellectual property rights of the third party claiming infringement. A licence may not be available on reasonable terms or at

all. Any limitations on the Group's ability to market the products, or delays and costs associated with redesigning the products or payments of licence fees to third parties, or any failure by the Group to develop or licence a substitute technology on commercially reasonable terms could have a material adverse effect on the Group's business, financial condition and results of operations.

The business of the Group exposes its products to potential product liability risks

The business of the Group may expose it to potential product liability risks which are inherent in the research, development, manufacturing, marketing, sale and use of its products and future products. Although the Group has never had any product liability claims in the past, the Group has product liability insurance in place. While the Directors believe the current levels of coverage are sufficient for its current products, there can also be no assurance that the level of insurance carried, now or in the future, will be adequate to cover the financial damages resulting from a product liability claim or judgement. Any product liability claim or judgement which exceeds the Group's insurance coverage limits could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

Insurance coverage is increasingly expensive and the Group may not have and it may not be able to maintain adequate protection against potential liabilities. If the Group is unable to maintain insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to significant liabilities, which may materially and adversely affect its business and financial position.

PART III: DETAILS OF THE PLACING

Under the Placing, the Company will issue 45,454,546 Ordinary Shares at 66p per Ordinary Share raising proceeds of approximately £26.4 million, net of underwriting commissions and other estimated fees and expenses of approximately £3.6 million.

The Ordinary Shares will represent approximately 29.9 *per cent* of the Enlarged Issued Ordinary Share Capital of the Company immediately following Admission.

The Placing is being made to certain institutional and other investors in the United Kingdom and elsewhere outside the United States, in reliance on Regulation S under the Securities Act.

Certain restrictions that apply to the distribution of this document and Ordinary Shares being issued and sold under the Placing are described below under "Selling Restrictions".

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00B13TCY87 and SEDOL number B13TCY8.

Immediately following Admission, it is expected that in excess of 60.4 *per cent* of the Company's issued share capital will be held in public hands (within the meaning of LR 6.1.19 of the Listing Rules).

Reasons for the Placing

Directors anticipate that the Placing will:

- raise new capital to facilitate the Company's growth strategy;
- increase the Company's profile;
- enhance the Company's reputation with suppliers and customers; and
- assist in recruiting, retaining and incentivising key management and employees.

Allocation and Pricing

44,060,572 of the New Ordinary Shares to be allocated under the Placing have been fully underwritten, subject to certain conditions, by the Underwriters in accordance with the terms of the Underwriting Agreement (further details of which are described below under "Underwriting Agreement" and in paragraph 16.1 of Part XV – "Additional Information"). The balance of the New Ordinary Shares the subject of the Placing in respect of which the Company is in receipt of cleared funds (or in the case of 75,757 New Ordinary Shares to be subscribed by certain Directors, an undertaking to pay) will be issued at the Placing Price conditional upon Admission to subscribers procured by the Company.

The New Ordinary Shares to be issued pursuant to the Placing will, on Admission, rank *pari passu* in all respects with each other and with all of the Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on the existing Ordinary Shares after Admission.

Allocations of New Ordinary Shares under the Placing will be determined at the discretion of the Joint Lead Manager following consultation with the Company after indications of interest from prospective investors have been received.

All New Ordinary Shares will be offered at the Placing Price. Liability for UK stamp duty and stamp duty reserve tax is described in paragraph 17.1(iv) of Part XV – "Additional Information".

Dealing Arrangements

The Placing is subject to the satisfaction of certain conditions contained in the Underwriting Agreement which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company and the Directors, and the Joint Lead Managers. Further details of the Underwriting Agreement are described in paragraph 16.1 of Part XV – "Additional Information".

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8:00 am on 30 June 2006. The earliest date for settlement of dealings will be 30 June 2006. **These dates and times may be changed.**

It is expected that New Ordinary Shares allocated to investors will be delivered in uncertificated form and settlement will take place through CREST on Admission.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Underwriting Agreement

Nomura Code Securities and Nomura International have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions which are typical for an agreement of this nature, to procure subscribers for 44,060,572 of the New Ordinary Shares the subject of the Placing, or, failing which, themselves to subscribe for and purchase such New Ordinary Shares, at the Placing Price. The balance of the New Ordinary Shares the subject of the Placing in respect of which the Company is in receipt of cleared funds (or in the case of 75,757 New Ordinary Shares to be subscribed by certain Directors, an undertaking to pay) will be issued at the Placing Price conditional upon Admission to subscribers procured by the Company. The Underwriting Agreement contains provisions entitling the Joint Lead Managers to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Any commissions received by the Joint Lead Managers may be retained, and any Ordinary Shares acquired by them may be retained or dealt in by it on its own benefit.

The Underwriting Agreement will also appoint Nomura Code Securities as sponsor in connection with the Placing and the application for Admission.

Further details of the Underwriting Agreement are described in paragraph 16.1 of Part XV – "Additional Information".

Lock-Up Arrangements

The Company has agreed that (subject to certain exceptions set out in the Underwriting Agreement) neither it, nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of the Joint Lead Managers, for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Each Director has severally undertaken that (subject to certain exceptions set out in the Underwriting Agreement) he will not and will procure that none of his connected persons or persons acting on his or their behalf will without the prior written consent of Nomura Code Securities for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore each of the Directors has undertaken that, for a further 12 month period, any disposals are to be conducted through Nomura Code Securities.

Each of the Senior Management have severally undertaken that (subject to certain exceptions) they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of the Nomura Code Securities for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose

value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore each of the Senior Management has undertaken that, for a further 12 month period any disposals are to be conducted through Nomura Code Securities.

Certain Shareholders who in aggregate own 58.6 *per cent* of the Enlarged Issue Share Capital have severally undertaken that (subject to certain exceptions) they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of the Nomura Code Securities for a period of 6 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore certain Shareholders who in aggregate own 46.1 *per cent* of the Enlarged Issue Share Capital have severally undertaken that for a further 6 month period any disposals are to be conducted through Nomura Code Securities. In addition, certain Shareholders who in aggregate own 6.5 *per cent* of the Enlarged Issued Share Capital have indicated in writing, on a non-binding basis, that it is not their intention to dispose of any such Ordinary Shares during the 6 months following Admission.

Option holders and warrant holders (representing options and warrants for the issue of 20,930,259 Ordinary Shares which represents 96.8 *per cent* of the aggregate number of options and warrants outstanding at Admission) have undertaken that (subject to certain exceptions, in particular, in the event that there is a disqualifying event for EMI purposes, certain employee option holders will be given a 40 day period in which to exercise their EMI options, and they will be permitted to sell sufficient Ordinary Shares (up to a maximum of 1,157,457 Ordinary Shares representing 0.8 *per cent* of the Enlarged Issued Share Capital) issued pursuant to that option exercise, to meet the exercise price of the options and any tax payable on the exercise of the options, such sales to be conducted through Nomura Code Securities) they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of the Nomura Code Securities for a period of 12 months from Admission (in relation to such options and warrants), issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Further details of these arrangements, which are contained in the Underwriting Agreement, are set out in paragraph 16.1 of Part XV – "Additional Information".

Placing Arrangements

In the United Kingdom, members of the public have not been and are not eligible to take part in the Placing. Invitations to participate in the Placing have been limited at all times (i) to persons reasonably believed by the Company to be investment professionals within the meaning of paragraph (5) of Article 19, or to be high net worth companies or unincorporated associations within the meaning of paragraph (2) of Article 49, of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (S1 2005/1529) and (ii) to persons who are qualified investors within the meaning of section 86(7) of Financial Services and Markets Act 2000.

Any offering of shares in the Company has not been and will not be notified to the Belgium Banking, Finance and Insurance Commission (Commissie Voor Het Bank, Financie-en Assurantiewezen/ Commission Bancaire, Financier et des Assurances) nor has this document been nor will it be filed with the Belgium Banking, Finance and Insurance Commission. Accordingly, the Company is not and will not be authorised to conduct a public offering of shares in the Company in or from Belgium. The Ordinary Shares offered under the Placing are offered in Belgium by private placement to a limited number of Belgian-based institutional investors as defined in article 3, 2° of the Royal Decree of 7 July 1999 on the public nature of financial transactions, in all cases under circumstances designed to

preclude a distribution which would be other than a private offering. This Prospectus may not be reproduced or used for any purpose, nor be furnished to any other person other than those to whom copies have been sent.

In Switzerland, no action has been or will be taken that would permit a public offering of the shares in the Company in or from Switzerland. The Ordinary Shares may be offered in Switzerland by private placement to a limited number of institutional investors. Accordingly, this document may be used in a private placement only and is personal to the addressee. It shall not be distributed or copied to any other person in Switzerland. This document does not represent a solicitation to the public to subscribe for shares in the Company nor does it represent otherwise an offer to the public in Switzerland. This document does not represent a prospectus in the terms of articles 652a and/or 1156 of the Swiss code of Obligations.

In Sweden, this document and its contents are only directed at persons who fall within the exemptions contained in Chapter 2, Section 4 of the Swedish Financial Instruments Trading Act (1991:1980). No action has been or will be taken in Sweden that would permit a public offering in the securities of the Company or the possession, circulation or distribution of this document or any other material. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly in connection with a public offering in Sweden and no sales prospectus within the meaning of the Swedish Financial Instruments Trading Act (1991:1980) has been or will be published within Sweden or approved by the Swedish Financial Supervisory Authority.

In Germany, this document and its contents are only directed at persons who fall within the exemptions for "Qualified Investors" contained in Article 3(2) of the German Securities Prospectus Act (Wertpapierprospektgesetz). No action has been or will be taken in the Federal Republic of Germany that would permit a public offering of the securities of the Company or the possession, circulation or distribution of this document or any other offering material. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, in connection with a public offering in the Federal Republic of Germany.

In the Netherlands, this document is only addressed to and directed at (and the Ordinary Shares will only be offered to) professional market parties within the meaning of Section 1a(3) of the Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995, as amended (Vrijstellingsregeling Wet Koezicht Effectenverkeer, 1995).

Selling Restrictions

The distribution of this document and the Placing in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United Kingdom

No Ordinary Shares have been offered or sold or will be offered or sold to persons in the United Kingdom prior to publication of this document except in circumstances which have not resulted in an offer to the public in the United Kingdom within the meaning of section 102B of the FSMA.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state"), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that relevant member state prior to the publication of this

document which constitutes a prospectus in relation to the Ordinary Shares, except that offers of Ordinary Shares may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

(a) to legal entities which are authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Nomura Code Securities; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state.

For the purpose of the expression "offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer of any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Each person in a relevant member state (other than in the case of persons in any country into which this Prospectus has been passported in accordance with Article 17 of the Prospectus Directive and Section 87(1) of the FSMA) who acquires any Ordinary Shares under the Placing will be deemed to have represented, warranted and agreed that:

(a) it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and

(b) either (i) the Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Lead Managers has been given to the offer or resale; or (ii) any acquisition of Ordinary Shares by it under the Placing on behalf of other persons will be deemed to have been made as a qualified investor because such Ordinary Shares are acquired by it on a discretionary basis.

The Company and the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Lead Managers of such fact in writing may, with the consent of the Joint Lead Managers, be permitted to subscribe for or purchase Ordinary Shares in the Placing.

United States of America

The Ordinary Shares have not been and will not be registered under the Securities Act or under any state securities laws and may not be offered or sold within the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the applicable state securities laws. Accordingly, the Ordinary Shares are being offered and sold only to non-US persons outside the United States in reliance on Regulation S.

Each subscriber or purchaser of the Ordinary Shares offered in reliance on Regulation S will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used in this paragraph as defined in Regulation S):

(i) it is, at the time of the offer to it of Ordinary Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;

(ii) it is aware that such Ordinary Shares have not been and will not be registered under the Securities Act and are being offered and sold outside the United States in reliance on Regulation S; and

(iii) any offer, sale, pledge or other transfer made other than in compliance with the restrictions above shall not be recognised by the Company in respect of such Ordinary Shares.

Australia

This prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for the purposes of Australian law. This prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 or Division 2 of Part 7.9 of the Corporations Act 2001(Cth).

Canada

The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

Japan

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan except in circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorities in effect at the relevant time.

No action has been taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purposes if required.

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purposes if required.

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

PART IV: DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors

Christopher Paul James Wightman	Non-Executive Chairman
Gregory Todd Bosch	Chief Executive Officer
Keith Alan Goldan	Chief Finance Officer
Bishop Julius Allen	Non-Executive Director
Michael Dimitrios Sapountzoglou	Non-Executive Director
Joseph William (Bill) Birkett	Non-Executive Director

Company Secretary

Keith Alan Goldan

Registered Office

Wolseley House
Dyson Way
Staffordshire Technology Park
Beaconside
Stafford
ST18 0AG
UK

Group headquarters and Directors' Address

508 Lapp Road
Malvern
Pennsylvania 19355
USA

Advisers

Sponsor and Financial Adviser, Joint Bookrunner, Joint Lead Manager and Joint Underwriter

Nomura Code Securities Limited
1 Carey Lane
London
EC2V 8AE
UK

Joint Bookrunner, Joint Lead Manager and Joint Underwriter

Nomura International plc
Nomura House
1 St. Martin's-le-Grand
London
EC1A 4NP
UK

Legal Advisers to the Company

Morgan, Lewis & Bockius
2 Gresham Street
London
EC2V 7PE
UK

Legal Advisers to the Sponsor and the Underwriters

Jones Day
21 Tudor Street
London
EC4Y 0DJ
UK

Patent Agents

David Keltie Associates
Fleet Place House
2 Fleet Place
London
EC4M 7ET
UK

Scientific Experts

Cambridge Consultants Limited
Science Park
Milton Road
Cambridge
England
CB4 0DW
UK

Auditors

KPMG LLP
1601 Market Street
Philadelphia
PA 19103
USA

Reporting Accountants

KPMG LLP
St James' Square
Manchester
M2 6DS
UK

UK Bankers to the Company

Barclays Bank plc
Milton Keynes and Northampton Business Centre
497 Silbury Boulevard
Milton Keynes
MK9 2ZU
UK

Registrars

Lloyds TSB Registrars
Princess House
1 Suffolk Lane
London
EC4R 0AX
UK

US Bankers to the Company

Commerce Bank N.A.
1701 Route 70 East
Cherry Hill
NJ
08034
USA

PART V: PLACING STATISTICS AND EXPECTED TIMETABLE

PLACING STATISTICS

Placing Price (per New Ordinary Share)	66p
Number of new Ordinary Shares in the Placing to be issued by the Company	45,454,546
Percentage of the Enlarged Issued Share Capital in the Placing	29.9 *per cent*
Number of Ordinary Shares in issue following the Placing (Enlarged Issued Share Capital)	151,838,792
Expected market capitalisation at the Placing Price	£100.2 million
Estimated gross proceeds of the Placing receivable by the Company	£30.0 million
Estimated net proceeds of the Placing receivable by the Company	£26.4 million
Ticker	"PURI"

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*2006*
Admission and commencement of dealings on the London Stock Exchange	8:00 am on 30 June
CREST accounts credited	on 30 June
Where applicable, despatch of definitive share certificates	from 7 July

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

PART VI: INFORMATION ON THE GROUP

Unless otherwise stated, the financial information relating to PuriCore included in this part of the document has been extracted without material adjustment from "Financial Information" in Part XI of this document.

OVERVIEW

PuriCore is a life sciences company focused on the development and commercialisation of its proprietary technology that mimics the production by the human immune system of its natural anti-microbial (hypochlorous acid) which protects the body from infection. Hypochlorous acid is highly effective at killing pathogens such as bacteria, viruses and fungal spores, yet is safe and environmentally friendly. Consequently, hypochlorous acid has applications in a wide range of markets where it is important to control microbial contamination. These markets include medical disinfection, food safety, dental equipment, hospitality, water safety, wound management and diverse roles in restricting the spread of infectious disease, including major global disease threats such as Tuberculosis, MRSA, *E. coli*, norovirus, HIV, polio virus, *Helicobater pylori* and Legionella. This increasing global risk of infectious pathogens is widely recognised[(3)(4)(5)(6)(7)].

PuriCore's principal subsidiary, PuriCore, Inc., formerly known as Sterilox Technologies, Inc., markets a portfolio of branded systems (the "Sterilox Systems" or the "Systems") which produce a hypochlorous acid solution from water, electricity and common salt. The Sterilox Systems generate hypochlorous acid solutions at a range of concentrations and at a nearly neutral pH range similar to the human body. These solutions (the "Sterilox Solutions" or the "Solutions") are non-toxic, non-hazardous and yet effective at killing a wide range of pathogens. PuriCore was the recipient of *Frost and Sullivan's* 2005 Technology Innovation Award which stated that "it is certain that Sterilox is likely to emerge to be the disinfectant of choice in the future." Competing anti-microbial products, including a wide range of chemicals such as gluteraldehyde, are known to be damaging to human health and have had their use restricted in a number of countries, including the UK. Sterilox Solutions are effective as soaks, sprays, mists and ice.

The Sterilox Systems incorporate proprietary electrolysing cells (the "Sterilox Cells" or the "Cells"), proprietary software and process controls enabling the production of Sterilox Solutions from salt water to required specifications on a reliable and consistent basis. The Company places the Sterilox Systems with its customers either on a rental agreement basis or as a capital sale, enabling the customer to produce Sterilox Solution on-site and on-demand.

To date, the Company has focused on the disinfection of medical instrumentation (in the Endoscopy market in the UK), Food Safety (in the US), and in the Dental market. In these core markets, the Directors believe that PuriCore is to date, the only company currently able to engineer technology on a proven commercial basis that produces a hypochlorous acid solution on-site in such a consistent, safe, effective and user-friendly manner. The Directors believe that the Sterilox Systems represent a scaleable, platform technology that can be readily applied to new geographical and customer markets and applications worldwide.

Commercial sales of the Company's current products began in 1999 following the successful completion of field trials in the UK undertaken by its Endoscopy division. Sales were initiated in the Dental and Food Safety business units in 2003 and 2004, respectively, and beta site sales have since been commenced in the hospitality sector. PuriCore's revenues for the year ended 31 December 2005 were US$12.8 million, representing the placement of 950 Systems, an increase of approximately 60 *per cent* on the prior year's placements. During the three months ended 31 March 2006, PuriCore has placed approximately 461 Systems representing a 209 *per cent* unit growth over the same period in the prior year giving the Company an installed base of 2,113 Systems placed with customers around the world. 600 of these Systems were placed as part of orders received in 2005 from one of the largest food retailers in the US. These orders represent approximately $18 million in revenue and cash flow, of which $388,000 were recognised in the year ended 31 December 2005 and the balance of which will be recognised in 2006 to 2009.

HISTORY AND BACKGROUND

The Company was incorporated in 2006 and became the holding company to the PuriCore Group of companies. PuriCore, Inc., the principal US operating entity of the Group (formerly known as Sterilox Technologies, Inc.), was incorporated in the US in 1997 as a Delaware corporation to acquire and commercialise new intellectual property in the biocide industry and began trading later that year. Sterilox Technologies, Inc. was renamed PuriCore, Inc. on 24 May 2006.

In 2003, PuriCore, Inc. raised cash principally from a $7.6 million issuance of debt which was used for operating activities. In 2004, a significant proportion of cash raised during the year was from issuing options ($4.9 million raised and from issuance of debt ($1.9 million). In 2005, PuriCore, Inc. raised approximately $22.6 million from a rights issue offering of which $13.5 million was used for the early repayment of debt and $2.3 million was used for the repayment of outstanding loan notes.

As of 31 December 2005, the Group had raised Net Funds of approximately $93.3 million primarily by way of equity placements.

The Group's principal operating subsidiaries are located in the US and the UK. The Group's corporate headquarters will be moved from Radnor, Pennsylvania to Malvern, Pennsylvania as of 1 July 2006. Its international operations are executed out of its UK facility in Stafford. Globally, as of 31 May 2006 the Group employed a total of 92 personnel with 40 being based in the US and 52 in the UK.

PRINCIPAL BUSINESS UNITS

To date the Company has focused its resources in three core business units, namely in the following markets:

- disinfection of heat sensitive medical instruments, specifically endoscopes ("Endoscopy"). The Directors believe that there will be a global addressable market of up to $1.0 billion by 2009[(1)]. To date, the Company has focused primarily in the UK in this business unit and, plans to expand geographically, principally, in the US and continental Europe;
- food safety, in particular for the removal of pathogens and extension of shelf life in fresh produce, flowers and seafood in supermarkets ("Food Safety"). The Directors believe that there will be an addressable market in the US Food Safety Market of up to $350 million by 2009[(2)]. To date, the Company has focused exclusively in US in this business unit and plans to expand geographically principally in Europe, UK, Canada and Mexico, which the Directors believe will have a global addressable market of up to $1.8 billion by 2009; and
- dentistry, in particular the removal of microbial contaminants and biofilm from dental water lines ("Dental"). The Directors believe that there will be a global addressable market of up to $200 million by 2009. To date, the Company has focused predominantly in the UK and US in this business unit.

In addition to these current core business units, the Directors believe there is significant opportunity for PuriCore to expand into several new markets. In particular, the near term priorities are:

- hospitality (specifically the hotel industry) with applications in food safety, facility remediation, and Legionella treatment, which the Directors believe will have a global market of up to $3.0 billion of which $500 million would be addressable in the US market by 2009[(8)];
- wound care through the topical treatment and disinfection of chronic wounds in particular ulcerative wound lesions;
- water safety with applications to the treatment of potable water, Legionella control, biofilm removal, and other pathogen control applications; and
- environmental remediation with applications to address virus outbreak control against pathogens such as Norovirus (Norwalk Live Virus), MRSA, *Acinetobacter*, and potentially avian flu.

THE PURICORE TECHNOLOGY

Biochemistry

The Sterilox Systems electrochemically generate hypochlorous acid solutions from salt and water at a range of concentrations and nearly neutral pH to meet the customer needs of each application. These antimicrobial solutions are proven to be safe, effective and fast acting against a broad range of pathogens.

The main active chemical species generated during the electrolysis of salt water is aqueous chlorine, hypochlorous acid or hypochlorite. The equilibrium ratio of each species is dictated by the pH of the solution. Optimum levels of hypochlorous acid are only produced within a specific, near neutral pH range of between 5 and 7 to maximise the levels which are generally recognised to be substantially more biocidal and safer than hypochlorite bleach or aqueous chlorine solutions. Below pH 4, the major species is aqueous chlorine in solution. Above pH 7.4, the major species is hypochlorite, the chemical in common bleach (Bubnis, 1999[(9)]).

Hypochlorous acid is a well known and well characterised oxidant and is a critical chemical produced by the human body's natural immune system at near neutral pH to fight infection. In the immune system, invading pathogens are engulfed by white blood cells called neutrophils by the process of phagocytosis. The pathogen is then encapsulated by a phagosome, which generates hypochlorous acid as the final step of the Oxidative Burst Pathway, the centrepiece of the phagocytic killing mechanism. Large quantities of hypochlorous acid are released into the phagosome to destroy the invading pathogen. During the Oxidative Burst Pathway, neutrophils use the naturally occurring NADPH oxidase enzyme complex which catalyses the conversion of oxygen into superoxide anion. Superoxide dismutase enzyme then converts superoxide ion and water to form hydrogen peroxide and hydroxyl radicals. The hydrogen peroxide combines with chloride ions by the action of the enzyme myeloperoxidase to form hypochlorous acid (Hampton *et al.,* 1996[10]).

Hypochlorous acid reacts readily with a variety of microbial sub-cellular compounds, interferes with metabolic processes and kills individual bacterium exposed within milliseconds and is non mutagenic. It is widely thought that hypochlorous acid acts on plasma membrane proteins involved in energy transduction, leading to loss of homeostatic control of ions across the membrane, causing cell swelling and cell lysis (Schraufstatter *et al.,* 1990[11]). Additionally, independent research has hypothesized that hypochlorous acid is more effective than other disinfectants as bacteria do not possess the specific enzyme mechanisms for hypochlorous acid detoxification (Leyer and Johnson, 1997[12]).

Microbiology

Sterilox Solutions are highly effective biocides against a broad spectrum range of resistant pathogens, spores and biofilms, in particular, MRSA, Tuberculosis, *Legionella*, HIV, poliovirus, *Helicobacter pylori* and norovirus and the Directors anticipate similar efficacy against the avian influenza virus. Published independent laboratory studies and extensive field trials have demonstrated the biocidal efficacy and speed of the Sterilox Solutions. Examples of this research include:

- The Hospital Infection Research Laboratory in the UK identified in 1999 that Sterilox Solutions demonstrated effective antimicrobial activity in laboratory suspension tests within a 5 minute contact time against key medical pathogens including *Mycobacterium tuberculosis*, *Mycobacterium avium-intracellulare*, *E.coli 0157*, *Enterococcus faecalis*, *Pseudomonas aeruginosa*, *Bacillus subtilis*, endospores, MRSA, Poliovirus type 2, HIV and, *Candida albicans*. In contrast, the commonly used biocide, glutaraldehyde, was only shown to be effective against pathogenic *Mycobacteria* strains after 20 to 60 minutes contact time.
- The University of North Carolina, US (Sobsey, 2004[13]) demonstrated that Sterilox Solutions is highly biocidal against hepatitis A on fruits and vegetables. The study investigators also observed that two commercial peracetic acid products were ineffective against hepatitis A using the same test model.
- Charing Cross Hospital in the UK showed that fogging using Sterilox Solutions is effective at decontaminating antibiotic resistant MRSA and *Acinetobacter* on environmental surfaces (Clark *et al.,* 2005[14]). Furthermore, a PuriCore funded university study (Sobsey, 2005) demonstrated the effectiveness of Sterilox Solutions in decontaminating norovirus on surfaces by environmental fogging.
- Loma Linda University in California, US (Wu Zhang, MD *et al.*, 2005[15]) demonstrated the superior effectiveness of Sterilox Solutions compared with a widely used chlorhexidine product in decontaminating a dental unit waterline biofilm. These slime structures are produced by bacteria once they attach onto surfaces and protect pathogens such as *Legionella* and *Mycobacteria* from treatment by antibiotics or disinfectants.
- Walker and co-workers[16], Salisbury, UK (2003) developed a laboratory based biofilm model system using environmental isolates. Using the Sterilox Solutions as treatment, the study investigators observed complete removal of the biofilm and total decontamination of the pathogens present. In contrast, they reported that a commercially available ozone biofilm product was ineffective against biofilms.
- Extensive field trials at a number of major US grocery supermarket chains have shown the effectiveness of Sterilox Solutions in decontaminating misting lines and extending the shelf life of fruit and vegetables as well as improving sanitation in the seafood department using Sterilox Solutions in frozen form ("Active Ice"). A recent evaluation of Sterilox Solutions in fresh produce misting lines at two supermarkets from a large US chain showed a 6 log reduction in aerobic plate counts and a 3 log reduction in coliform and *E.coli* counts.

- The John Radcliffe Hospital in the UK showed Sterilox Solutions to be a highly effective antimicrobial agent against wound pathogens. The research showed that two days of treatment with Sterilox Solution for chronic venous leg ulcer wounds reduced the wound microflora by 99 *per cent* (Selkon 2002[17]). Furthermore, a twelve week treatment of patients with chronic venous leg ulcers on which conventional treatments had previously failed, resulted in nine out of twenty patients being healed and six patients' ulcers showing significant reduction in wound size (Selkon et al., 2006[18]).

The Sterilox Cell

Hypochlorous acid is well known and well characterised. However, it is unstable, quickly breaking down into salty water, and therefore it needs to be manufactured on-demand and on-site. While hypochlorous acid has been produced for use in large industrial processes (such as food preparation) for several years, its production in these large scale industrial operations at optimum available free chlorine ("AFC") a measurement of concentration and pH levels requires regular intervention of qualified chemists to handle the potentially toxic precursor chemicals.

PuriCore has overcome the need for this complex, expensive and time consuming requirement for constant AFC and pH monitoring, chemical handling, and adjustment by developing its Sterilox Systems (described below) which enable customers to produce hypochlorous acid solutions on-site and on-demand in a reliable, safe, effective and user-friendly manner from only water, salt and electricity.

One of the critical components in the operation of the Sterilox Systems is the Sterilox Cell, PuriCore's proprietary electrochemical cell through which salt water is passed to produce the Sterilox Solutions by electrolysis.

The Sterilox Cell is made up of an anode, a titanium rod, surrounded by a titanium shell and, the cathode. The cathode and the anode are separated by a semi permeable ceramic membrane. Separate reactions take place at the anode (producing the anolyte, chlorine gas) and the cathode (producing the catholyte, hydrogen and hydroxide ions). The Sterilox Systems constantly monitor the pH and automatically recirculate part of the catholyte as needed with the anolyte to maintain the optimum pH (between approximately 5.5 and 7) in order to maximise the percentage concentration of hypochlorous acid and therefore the safety and effectiveness of the Sterilox Solution.

The catholyte recirculation is the subject of a family of patents owned by PuriCore supported by significant know how (further details of which are set out in "Intellectual Property" in Part VI of this document).

Sterilox System

PuriCore has developed a range of proprietary Sterilox Systems to satisfy the specific requirements of its customers in each of its core markets: Endoscopy, Food Safety and Dental.

The Sterilox Systems are connected to the mains electricity and water and the customers need only add common salt. The System produces Sterilox Solution and stores it for 24 hours after which the storage reservoir is automatically emptied to ensure only effective Solution is available for use.

Each Sterilox System includes a combination of Sterilox Cell(s), proprietary software and control systems within a custom designed unit. These proprietary control systems are designed to ensure that the Sterilox Solutions are produced consistently and reliably within narrow specification tolerances, despite normal fluctuations in the electricity supply, changes in the characteristics of the feed water (eg temperature, pressure or alkalinity due to geographic variations) and variation in the quality of input salt. For instance, in the medical disinfection market, the Sterilox System has to satisfy approximately 40 real-time parameters before the Sterilox Solution is dispensed for use. These automated control systems also reduce the risk of user error and minimise the need for operator interface with the process. The Sterilox Systems are designed in a range of sizes, with differing production capacity and are easy to use with no particular special skills required of the operator.

Additionally, the Company has the ability to monitor remotely the operation and performance of its Sterilox Systems via telemetry. This enables it to provide data management, quality assurance, and diagnostic services to its customers as well as to maximise efficiency for field service operations.

Sterilox Solutions

The Sterilox Solutions are a portfolio of proprietary biocides (at nearly neutral pH range of 5 to 7 depending on the application) which are highly effective, non-toxic and fast-acting at room temperature

against a wide range of bacteria, viruses and fungal spores, as well as in the removal of biofilms. Sterilox Solutions are significantly more effective than the same concentration of bleach or equivalent chlorine. Sterilox Solutions are effective as soaks, sprays, mists and ice.

Sterilox Solutions require no special storage, handling or spillage procedures, fume extraction equipment or protective clothing. Current results indicate that the shelf life of Sterilox Solutions can be extended up to five days after which they decompose over a period of a few weeks into slightly salty water without any toxic by-products.

COMMERCIALISED PRODUCTS – SUMMARY

Market	*Principal products*	*Description*	*Launch*	*Primary geographic market*	*Regulatory status*
Endoscopy	"Maxigen"	Sterilox System	1999	UK	CE Marked
	"Midigen"	Sterilox System	2003	UK	CE Marked
	"S.A.F.E.R."	Automated Endoscopy Reprocessor ("AER")	2004	UK	CE Marked
Food Safety and Hospitality	"2100"	Sterilox System	2004	US	UL Listed NSF Approved FDA Allowed EPA registered
Dental	"Dental System" (A^2 500)	Sterilox System and Electrolyte	2003	UK & US	UL Listed FDA Class 1 Medical Device CE Marked
Water Safety	"Aqualox 4000" "Aqualox 8000"	Sterilox Solution generator	2000	UK	CE Marked

REVENUE MODEL

PuriCore has a portfolio of rental and capital sales of its Sterilox Systems. Whilst the PuriCore strategy is to rent its Sterilox Systems to customers, it recognises that certain customers may wish to purchase the System outright.

Recurring revenue rental model

Under the rental model, PuriCore places its Systems at the customer site and the customer pays a fixed monthly or quarterly rental fee for using the System. For example, customers have generally enter into initial three year (Food Safety) or five year (Endoscopy) term rental agreements for use of the System. These agreements are independent of volume of Sterilox Solutions produced thereby enabling the customers to produce as much Solution as they require on-site and on-demand in return for the fixed periodical rental fee. PuriCore benefits from recurring revenues and cash flows under the rental model.

In Endoscopy, the Directors believe that customers rent Sterilox Systems because there is no initial capital outlay required by the customer and the rental payments are easily comparable to the recurring cost of disposable chemicals, which customers would otherwise use. No requirement for capital outlay also makes renting attractive to customers in the Food Safety business. Customers typically enter into service contracts with the Company providing full maintenance coverage for the term of the rental agreement as part of the fixed cost structure.

The Directors believe it is likely that the Sterilox Systems may have a life cycle longer than the multi-year term set out in the customer rental agreement. The Directors anticipate that many customers will renew and extend rental agreements beyond the expiration of the initial contract term. To date, of the seven customers who have reached the end of their rental contract period, all have chosen to retain their Sterilox Systems and enter into new multi-year contracts.

To finance expansion, PuriCore has borrowed against the future cash flows from its rental agreements. In the UK, this has taken the form of sale of the leases whereby the cash flows from its hospital

customers has been assigned to a finance company. US GAAP required these revenues to be recognised at the time of assignment. In the US, the Company does not assign the rental streams, rather it retains these cash flows and borrows against its own balance sheet. US GAAP required these rental streams to be recognised by the Company as ongoing rental income. IFRS requires similar treatment. The Directors intend, following the Placing, to cease assignment of the majority of all new rental contracts from its UK Endoscopy customers.

Capital sale model

PuriCore also sells, where appropriate, Sterilox Systems outright to its customers. It is the Group's experience that in the Food Safety market, certain customers have a strong preference not to rent equipment. In the UK Endoscopy market, it is traditional that the AERs are purchased as capital equipment. Although the Company has not focused its sales efforts in continental Europe, the model in the continental European Endoscopy market assumes that most distributors will purchase the equipment from the Company. In the UK dental business, the Company sells its systems to its distributor, Optident. In the US, the Company is now primarily selling its dental system directly to the end customers.

As part of a capital sale, the Company typically offers a twelve month warranty for its products and sells extended warranty agreements.

MANUFACTURING

The Company currently outsources manufacturing of its Sterilox Systems in the US and UK in order to minimise its fixed costs and provide greater flexibility for manufacturing expansion and product changes. The majority of the Sterilox Systems are produced in the country of sale thereby reducing transport costs as well as the risk of foreign currency exchange fluctuations. Where appropriate, PuriCore contracts with ISO Certified and/or FDA approved manufacturers.

CORE BUSINESS UNITS

Endoscopy

Market opportunity

Flexible endoscopes are commonly used in many medical procedures such as colonoscopies, gastroscopies, bronchoscopies, and many other diagnostic and surgical procedures. The Directors estimate there to be approximately 1.6 million procedures using flexible endoscopes per annum in the UK and up to 7 million in the four largest economies in Western Europe, namely UK, France, Germany and Italy. The growth in the number of endoscopy procedures is being driven principally by demographic factors including the ageing population, increasing support and reimbursement for preventative colorectal screening, and new technologies to enable minimally invasive procedures. The Directors believe that colorectal cancer screening programmes, in particular across continental Europe, are likely to have a major impact on endoscopy procedure growth rates as early detection significantly improves prognosis. These endoscopes are designed to be reprocessed between clinical procedures. Strict national regulations govern specific cleaning processes to ensure adequate safety and quality controls to prevent pathogen transmission and protect patients. In principle, these processes include the following steps: manual cleaning; automated washing; disinfection with an approved chemical disinfectant/sterilant; and final wash with bacteria free rinse water.

The total European market for disinfection equipment was $564 million in 2005 and is expected to exceed $649 million in 2009 of which the UK represents approximately 22 *per cent*[19]. The European market for disinfectants and AERs was $126 million in 2005 and is expected to exceed $150 million in 2009. Combined, the UK, Germany, Italy and France represent approximately 80 *per cent* of this market[1].

The size of the AER market is growing at over 9 *per cent* per annum[1] driven by the emerging European standards, whilst the disinfectant sector is growing at 3 to 4 *per cent* per annum[1]. The Directors anticipate, however, that the market dynamics will see significant switching from aldehyde based chemistries, as markets abandon their use in favour of safer and more effective products such as Sterilox Solutions.

In the UK, PuriCore has been successful in converting over 100 hospitals from their previous chemical disinfectants to Sterilox Solutions and has achieved approximately 23 *per cent* market penetration of hospitals with an endoscopy centre. This has been accomplished either by connecting Sterilox Systems to the customers' installed washer/disinfector units (Sterilox Systems are compatible to

several leading AER washers) or by replacing existing AERs with the Sterilox System and the Company's S.A.F.E.R. AER. There are opportunities for the Group to sell its Endoscopy portfolio of products, for instance, to new or refurbished hospitals as well as continuing relationships with leading AER suppliers.

US

The total market for disinfection was $749 million in 2004[(1)] of which endoscopes accounted for $176 million in 2004[(1)], and is estimated to grow to $248 million by 2009[(1)]. The fastest growing sector of this market is the AER market with a growth rate of 9.3 *per cent* with an installed base of over 25,000 AERs in 2004. The Directors believe the AER market and the liquid disinfectant/sterilant market for endoscopes will continue to have stable growth, primarily driven by ageing demographics, shifts towards preventative care, and the growing use of endoscopes for various diagnostic and surgical procedures.

In addition, the Directors believe that the US endoscope market is particularly attractive since the US high level disinfectant ("HLD") market has traditionally been dominated by gluteraldehyde and other aldehyde based products. However, due to concerns regarding residues left from protein fixation and safety for healthcare personnel, hospitals are increasingly considering alternative HLDs. Today, US hospitals seeking alternatives to gluteraldehyde are limited to other liquid chemical disinfectants/ sterilants, such as ortho-phthalaldehyde and peracetic acid, which, although less of an irritant than glutaraldehyde, are also potential skin and respiratory sensitisers.

Strategy, sales and marketing

UK, Europe and Rest of World (non-US)

The Directors believe the medical disinfection market in Europe offers the opportunity of significant revenues and high margins. There is strong competition from major companies already present in the market, but in the UK the Company has gained approximately 23 *per cent* of total hospitals with endoscopy centres since 2001 through its direct sales force which it plans to continue in the UK.

In continental Europe, the Directors anticipate that the use of dedicated local partners will be the optimal sales channel. The Company currently has distributors in four EU countries and three in other countries with four additional distribution agreements currently in discussion.

Regulatory approval has been obtained for the sale of products in the medical sector in the UK and throughout continental Europe. As of 31 December 2005, PuriCore had an installed base of over 200 Sterilox Systems in endoscopy suites largely in the UK, as well as other international markets.

Through the three year period ending 31 December 2005, the Company has sold over 115 S.A.F.E.R. AERs to hospitals throughout the UK and is the UK's leading supplier of AERs with a 25 *per cent* share of the installed units in the AER market, a 26 *per cent* share of the 2005 replacement market and has over a 29 *per cent* share of the disinfectant market. The UK Endoscopy business unit currently has over 200 customers and the Sterilox Solution is being used for approximately 500,000 endoscopic decontamination procedures per year. On average, each Sterilox System supplies Sterilox Solution for approximately 2,500 to 5,000 cleaning and disinfection cycles per AER per year.

The Company believes that it markets its Sterilox Systems at a price similar to a hospital's current, total cost of disinfection disposables, including the complete range of products that are usually needed or required by competing systems. Other than the rental cost of the Sterilox System, the only additional cost to the customer of using the Sterilox System is for common salt and any incremental water and electricity.

US

The Directors believe that the US market for endoscopy represents a significant opportunity for the Company. The US market for HLDs and liquid chemical sterilants used for endoscopy reprocessing suites was estimated to be $380 million (excluding AERs) in 2005. The Company expects that many hospitals, out-patient centres and free-standing surgical centres will be able to incorporate the Sterilox Systems while continuing to use their existing AER washer/disinfector hardware, a market consisting of approximately 24,000 to 40,000 installed washer/disinfector systems. The Company plans to replicate its UK direct sales and marketing model in the US and is currently planning to enter the US endoscopy market, which the Directors estimate represents 7,500 hospitals, in 2007 subject to receipt of regulatory approval. The Company previously obtained US Food and Drug Administration clearance in September 2002 for a 510(k) application for a system producing a Sterilox Solution at a higher

concentration. It was never commercialised as the Sterilox Solution was at a concentration subsequently viewed by PuriCore to be not marketable at that time for its intended use. The Company plans to file with the FDA for marketing approval in the second half of 2006 for a product more analogous to its European Systems and Solution.

Products

PuriCore offers a fully integrated product portfolio for its customers' endoscopic decontamination needs, from manual cleaning units to AERs, as well as the disinfectant and the bacteria-free rinse water. Since the Company first launched its Sterilox System in this market in 1999, the Sterilox Systems have been through several upgrades and the Company currently offers a range of Sterilox Systems for the Endoscopy market.

Sterilox Systems and Solutions

The Company markets two systems which generate Sterilox Solution on-site in the customers' endoscopy suite tailored to different user requirements:

- The Maxigen is capable of producing up to 200 litres of Sterilox Solution per hour and was developed specifically for hospitals with high throughput endoscopy units. The Maxigen is designed to support the volume demand for two AERs each processing two endoscopes simultaneously; and
- The Midigen is capable of delivering up to 100 litres of Sterilox Solution per hour and was developed for hospitals with lower throughput requirements and/or for use where space is limited. The Midigen is designed to support the volume demand for one AER processing two endoscopes simultaneously.

The Midigen Systems complement sales of the Maxigen Systems since there are often 3 to 5 areas in each hospital that could use the Sterilox Solution (such as operating rooms, intensive care, ENT units and day surgeries) but that do not have the high volume requirements that the Maxigen System provides.

The characteristics of the Sterilox Solutions, including its effectiveness at room temperature, make it particularly effective for the disinfection of heat sensitive equipment (that cannot simply be heated up in an autoclave to disinfect). Additionally, the Sterilox Systems are uniquely capable of producing bacteria free rinse water from hypochlorous acid as part of the process which significantly reduces the cost associated with the decontamination. Sterilox Solutions are used as a single use, non-fixative disinfectant, which reduces the risk of cross contamination between patients.

Automated Endoscope Reprocessor (AER)

Automated Endoscope Reprocessors are used for decontaminating most flexible and some rigid endoscopes. The Company markets an AER called S.A.F.E.R. (Sterilox Automated Flexible Endoscope Reprocessor) that is capable of washing and disinfecting up to two endoscopes at a time once the scope has undergone manual decontamination. The Company sells its Sterilox System and S.A.F.E.R. when customers replace their existing AERs. In addition, the Company often installs and connects its Sterilox Systems to the customer's existing AER. Therefore, in addition to marketing the S.A.F.E.R., the Company expects to continue to expand programmes with the other washer/disinfector manufacturers to connect to the Sterilox System.

The S.A.F.E.R. was one of the first AERs to offer compliance with individual channel potency, an essential requirement of the Health Technology Memorandum ("HTM 2030"). The HTM 2030 guidance was introduced in the UK in 1997 to improve the overall standard of endoscope reprocessing. It is now a source document for the new European standards being introduced in the fourth quarter of 2006.

Currently the washer/disinfector market is served by companies such as Lancer, BHT, Belimed, Labcaire, Minntech, Custom Ultrasonics, Olympus, and Wassenberg. Although the AER purchasing decisions are usually made separately from the disinfectant purchasing, most manufacturers also market a disinfectant.

Sterilox Rinse Water ("SRW") – Bacteria-free water

The final stage in any disinfection cycle requires the endoscope to be rinsed in a solution of bacteria free rinse water, a critical step in the decontaminating process. Some hospitals face challenges in consistently monitoring and maintaining high quality rinse water which requires the use of either expensive and maintenance intensive microbial filters, reverse osmosis systems or heated water which increases endoscope reprocessing times.

The Sterilox System produces a bacteria free rinse water (SRW) by the dilution of Sterilox Solution. This ability to produce bacteria free rinse water significantly reduces costs by eliminating the need for expensive filters and reverse osmosis systems by reducing cycle processing times thereby increasing the productivity and endoscope utilisation by the hospital.

Competition

The liquid sterilant/disinfectant market consists of either primarily aldehyde or oxidant based chemistries. The aldehydes, including gluteraldehyde, have historically dominated the market globally. Oxidants include peracetic acid and chlorine dioxide as well as Sterilox Solution. Most non-oxidants, such as the aldehydes, encounter difficulties with protein fixation in endoscopes, exacerbating the risk of cross contamination of prion diseases. Both the British Society of Gastroenterology ("BSG") and the European Society of Gastroenterology ("ESGE") recommend the use of non-fixative, single-use disinfectants, (like Sterilox Solutions), to mitigate the risk of cross contamination caused by recycling of the disinfectant most of these disinfectants also require special handling and disposal procedures.

Glutaraldehyde

Glutaraldehyde remains the market leader worldwide, and in the US, for HLDs. However, the market share of glutaraldehyde varies widely across geographic markets due to concerns relating to its storage, use and disposal. In some countries its use has been restricted or it has otherwise been withdrawn from use. In France, the use of glutaraldehyde has been restricted because of its detrimental effect on water treatment facility systems and the irritation effects to humans exposed to the glutaraldehyde liquid or its fumes. In the UK, glutaraldehyde was the market leader with 80 *per cent* market share in 2001/2002. Legal actions in the UK brought by medical personnel who have claimed to have suffered health consequences, such as induced asthma and dermatitis, resulting from exposure to glutaraldehyde in their respective workplaces have resulted in significant damages awards. As a result of such health and safety concerns, Advanced Sterilization Products ("ASP", a division of Ethicon, a subsidiary of Johnson and Johnson) withdrew its glutaraldehyde product (Cidex), the market leader in the UK in 2002. Use of glutaraldehyde is now restricted by regulatory agencies and was cited by the UK Health & Safety Executive as one of the main causes of occupational asthma.

The British Society of Gastroenterology's Guidelines for the Decontamination of Equipment for Gastrointestinal Procedures[6] notes that "glutaraldehyde is chemically related to formaldehyde and has similar toxic effects on skin and mucous membranes. Resulting adverse effects include severe dermatitis, conjunctivitis, sinusitis and asthma." Additionally glutaraldehyde has also been implicated as a cause of chemical colitis.

The Directors anticipate use of gluteraldehyde will diminish in many EU countries on the assumption that other EU countries will follow the examples being set by the UK, Holland, France and Italy, and that this will provide an attractive opportunity for PuriCore.

Cidex Ortho-phthalaldehyde (OPA)®

Ortho-phthalaldehyde (0.55 *per cent* solution marketed as Cidex OPA®) is a high level disinfectant containing 1,2–benzenedicarboxaldehyde. Although OPA is more stable and has a lower vapour pressure than gluteraldehyde, it is a potential skin and respiratory sensitiser and thus can aggravate pre-existing asthma, bronchitis or dermatitis. It does not appear to damage instrument components, but like other aldehydes, it can stain clothing and fixes protein to endoscopes which does not eliminate the risk of prion diseases.

In April 2004, ASP issued a product notification report concerning a labelling change for Cidex OPA solution. The document notifies users of a labelling change following reports suggesting the possibility of sensitisation to Cidex OPA solution with repeated exposure. The notification also states that "ASP is contraindicating the use of CIDEX OPA solution for the reprocessing of any urological instruments to be used on patients with a history of bladder cancer."

In November 2004, the US FDA issued an enforcement report for Cidex OPA. The reason for the report was the reporting of anaphylactic-like reactions following repeated cystoscopy for bladder cancer patients where the scope had been reprocessed in Cidex OPA Solution.

Aldehydes and prion fixation

In addition to the health and safety implications of using aldehyde based disinfectants, there is a growing trend in the market to move towards oxidants due to the fixative properties of aldehydes. Prion proteins, responsible for Creutzfeldt-Jakob Disease (CJD) in humans, Scrapie in sheep and Bovine Spongi form Encephalopathy (BSE) in cows, are extremely resistant to chemical attack and concerns have been raised about the potential for some disinfectants used in endoscope reprocessing to fix protein to endoscope surfaces.

The BSG's report (2005) on the decontamination of equipment for gastrointestinal endoscopy states "it should be emphasised that aldehyde disinfectants such as ortho-phthalaldehyde and glutaraldehyde, fix protein, a property which may not only anchor prion protein within endoscope channels, but also render it more difficult to remove by other means."

The World Health Organisation ("WHO")[20] infection control guidelines for transmissible spongiform encephalopathies states "infectivity is strongly stabilised by drying or fixation with alcohol, formalin or glutaraldehyde. As a consequence, contaminated materials should not be exposed to fixation reagents, and should be kept wet between the time of use and disinfection by immersion in chemical disinfectants."

Peracetic acid

Another common liquid chemical disinfectant is peracetic acid. Peracetic acid, similar to other oxidants, can have a damaging effect on endoscopes. Several competitors are now offering peracetic acid products for use in various AERs as an alternative to the aldehyde based disinfectants, as it is viewed to be less toxic to healthcare workers. However, the BSG states that "although less irritant than glutaraldehyde, orthophthalaldehyde, peracetic acid and chlorine dioxide are all potential skin and respiratory sensitisers." (BSG Guidelines 2003[21])

Chlorine dioxide

Chlorine dioxide is used in many applications, such as medical sterilisation, the sterilisation of water supplies and in food processing. Chlorine dioxide is an irritant and requires controlled handling and use. As chlorine dioxide is required to be generated on-site and on-demand, difficulties in optimising the chlorine dioxide production systems in operational environments can cause excess chlorine to be fed at the application point, which can potentially form toxic disinfection by-products. The BSG states that chlorine dioxide is a "potential skin and respiratory sensitiser." (BSG Guideline 2003).

Impact of oxidative compounds on endoscopes

Endoscopes are covered with a polymer which protects the instruments when in use and from the effects of sterilisation procedures. Endoscopes were originally designed at a time when gluteraldehyde was the predominant disinfection method and the coatings used were made to be compatible with aldehyde chemistry. However, the use of oxidative reagents, including Sterilox Solution, peracetic acid and chlorine dioxide, can react with the polymer, causing it to become tacky over time at which point the instrument requires recoating.

The effect of sterilants/disinfectants on endoscopes has become a significant consideration in evaluating disinfection methods. However, in the UK it has not stopped chlorine dioxide, reputed to be the most corrosive of agents, being the market leader in 2005.

The three largest manufacturers of endoscopes are Olympus, Pentax and Fuji. The instruments manufactured by Olympus and Pentax are affected by oxidative agents, while Fuji has developed coatings that are more resistant to oxidative effects. Given the demand from hospitals, Olympus and Pentax are also developing new more resistant endoscope coatings.

The Directors anticipate that both Olympus and Pentax will introduce new, resistant coatings in 2007. However, given that endoscopes can have a life of 7 to 15 years, the installed base of instruments requires a shorter term remedy. Consequently, PuriCore's current solution is to supply hospitals with "E-wipes", a disposable cloth soaked in Polytetrafluoroethylene ("PTFE") that is used to wipe the endoscope once a week. After cleaning, this wipe applies a coating that is polished once dry which protects the endoscope from any oxidative action. Although this adds another step each week to the processing of endoscopes, the Directors believe that benefits of using oxidative agents far outweighs any inconvenience. Experience in the UK market indicates that hospital staff place safety above the need for additional steps in the processing of instruments.

In the UK, scope manufacturers are responsible for the servicing of the instruments. However, in Europe and the US, repair and reprocessing is often contracted out to other service suppliers. PuriCore is in discussions with some of these third party service organisations and hopes to be able work with them as strategic partners.

Regulatory

Europe

The Company has compiled microbial, viral, safety and toxicology data necessary for compliance with the developing rules of the Medical Device Directive in the EU. The Sterilox Systems (Class IIb devices) gained CE Mark approval in 1998 and meet the "Essential Requirements" of the Medical Device Directive. The Company's sub-contract manufacturers are ISO compliant.

US

The Sterilox Solution is treated in the United States as an HLD and, as such, falls within the authority of the infection control section of the FDA and requires a 510(k) approval for marketing. The Company plans within the current financial year to file with the FDA for medical marketing approval of a product analogous to its European system and Sterilox Solution as a class II medical device in the US.

Food Safety

Market opportunity

Sterilox Solutions extend shelf life and home life for fresh fruit and vegetables, flowers and seafood. Sterilox Systems improve performance in supermarkets by reducing shrink of fresh food and reducing labour costs while providing supermarkets with a competitive advantage by giving their customers a fresher product. Through reduced product wastage only, PuriCore can save each retail store between $7,000 and $15,000 per annum excluding any savings which may result from reduced labour costs. Sterilox Systems are being installed into the majority of stores of one of the largest US supermarket chains for their fresh produce and floral departments. The same customer is testing a second system in certain stores for their seafood departments.

In retail grocery stores, Sterilox Solutions typically replace water that is used for the crisping, misting, and floral applications. In addition they are used at low concentrations in the produce misting systems to keep bacteria counts minimised. As such, the Directors believe that the use of Sterilox Solutions to prolong the shelf life of produce and to improve food safety has created a new and significant market for the Company.

The Company has initially focused its Food Safety efforts in the US retail grocery and service sector where the Directors believe the market is the largest, the Company has the best contacts and has the highest chance of successful market entry. There are approximately 33,000 individual supermarket locations in the US where placement of Sterilox Systems could have multiple uses within a store. Of these supermarkets, the Company's current focus is on the 22,000 larger retail stores which are capable of sustaining one or more Sterilox System. Accordingly, the Directors believe this increases the size of the current targeted market to an addressable market in the US to up to 28,000 Sterilox Systems. The Directors estimate the total addressable Food Safety market in the US to be $350 million.

In addition to adoption by one of the top 10 supermarket chains across its entire store network, a second major chain has recently indicated their intention to implement a multi-region roll-out this year. The Company has also installed and is in late stage trials with an additional 4 of the top 10 supermarket chains in the US which, by store count, represents a potential market opportunity of 11,000 Sterilox Systems placements. In addition to the top ten supermarket chains, the Company is also working with a further 10 supermarket chains, half of whom have already purchased Systems representing an additional potential market opportunity of 1,900 placements.

Strategy, sales and marketing

PuriCore's strategy is to divide the Food Safety market into two segments that have different characteristics, namely food retail and industrial food processing. To date, the Company has primarily focused on the food retail market which consists of both a small number of large companies that have many outlets such as national and regional supermarket chains as well as a large number of smaller retail customers. The Directors believe that its most efficient use of its near term resources in the food retail market is to focus its sales and marketing efforts on a relatively small number of leading US supermarket chains with significant placement opportunities.

The Company launched its first beta Sterilox System for the Food Safety market in November 2003, completed its first grocery chain-wide rollout (60 systems) in the second quarter of 2004 and as at 31 May 2006, has installed approximately 800 Systems throughout the US.

The Company employs direct sales and marketing staff to sell, install, and train customers on its Systems and offers its customer capital purchase or a multi-year rental agreement options. To date, the majority of Food Safety Systems have been placed by way of rental agreements.

Products

PuriCore currently markets its 2100 System, which generates the Sterilox Solutions tailored to the specific applications within the supermarket, namely in the fresh produce, floral and seafood departments. As the Solutions leave no residual taste and are not toxic, they are used to treat food products directly. The Sterilox Solution is also active when frozen, marketed by the Company as "Active Ice", which can be used in the display of fresh seafood to extend product life and reduce odour.

PuriCore has a dedicated in-house customer service team for the food safety business to handle order processing, facilitating deliveries and liaison with the field-based support team.

PuriCore also employs field-based technical service and account managers for the coordination of the installation and service of Sterilox Systems in conjunction with its sub-contracted field services group, which has over 100 member locations across the US with 350 local certified service technicians.

Competition

Because of the Sterilox Solutions' specific safety profile, efficacy, and the lack of impact on the odour or taste of food, the Directors believe that there is currently limited direct competition in this market. Potential competitors may try to duplicate the effect of the Sterilox Solution by other electrolyzed brine means or address this market with other technologies such as ozone, chlorine dioxide, peracetic acid or ionisation. Other methods exist to generate electrochemically activated water from brine solutions, which produces predominantly acidic or basic pH chlorine solutions. However, the Directors believe that no other company in PuriCore's target markets has yet demonstrated that it can commercially generate hypochlorous acid solutions to required specifications, consistently, on-site, and on-demand. The Directors further believe that the Group's intellectual property protection and proprietary know-how should prevent significant entry by other manufacturers of products equivalent to Sterilox Solutions in PuriCore's target markets.

Regulatory

Sterilox Solutions produced by the Food Safety System has been granted FDA clearance for food contact. Sterilox Solutions meet the requirements of the US Environmental Protection Agency (EPA) hard surface disinfectant and sanitiser tests. The Company also complies with the USDA and state and local health departments.

The Food Safety Systems are also listed with Underwriters Laboratories (UL) and National Sanitisation Foundation (NSF) both of which are required in order to sell the products in the US grocery and hospitality marketplace. As part of the global business planning strategy, PuriCore will be investigating any EU regulatory standards and obtain clearances, if necessary.

Dental

Market opportunity

The Dental market is characterised by a widespread dental surgery base consisting of sole proprietor and multi-dentist practices providing a variety of general and specialised dental care. Water lines used in dental surgeries (commonly referred to as "dental offices" in the US) suffer from the build up of biofilms and other contamination. Biofilms are bacteria colonies which form in nutrient rich environments found in dental water lines that are known to contain infectious agents such as hepatitis B, HIV, Legionella, MRSA*, or E. faecalis* that pose a significant risk to dental patients and staff. The Directors believe that there is a global market opportunity to supply Sterilox Solutions to the dental market in order to decontaminate these water lines and maintain acceptable water quality levels providing a safer, healthier work environment for patients and staff.

There is an increasing awareness and interest in the association between oral periodontal disease and cardiovascular disease caused by biological organisms and the potential for disease transmission from dental unit waterline ("DUWL") contamination. The Directors believe that increased adoption of dental

infection control procedures will be influenced by new regulations (eg new governmental laws or stronger guidelines from agencies such as the American Dental Association) and/or significant events such as deaths and/or patient demand for aseptic techniques. There are an estimated 15,000 dental surgeries in the UK and 50,000 in the US. The Company estimates that there are over 350,000 dental surgeries worldwide, with a potential addressable market of over $200 million by 2009.

Strategy, sales and marketing

PuriCore employs a country specific marketing strategy that is currently focused on the UK and US, but which the Directors anticipate will be expanded based on the relative attraction of each geographic market. The Group utilises a prominent UK dental products distributor, Optident, to sell its Dental Systems in the UK and Scandinavia. Prior to March 2006, Ultradent was an exclusive sub-distributor of the Company's dental products in the US, but it has ceased distributing the Company's products as they did not fit the Ultradent portfolio.

Optident launched the Company's dental product in 2003 and has to date placed over 700 Dental Systems throughout the UK. In March 2006, the Company launched a pilot distribution strategy selling directly to US dental offices, offering the customer the choice of a capital purchase or rental agreement.

Products

The Dental System is designed to produce hypochlorous acid solution using a pre-packaged proprietary electrolyte solution. The Company markets its pre-packaged saline electrolyte solution which is used to produce the Sterilox Solution in four bottle cases.

Competition

Dental water lines are treated with a variety of filtration and chemical agents designed to remove floating contaminates but are largely ineffective at removing and preventing the formation of biofilms. The dental unit water line decontamination market remains fragmented with no one competitor yet to establish a leading position. Alternative chemical treatments include sodium percarbonate, silver nitrate & cationic surfactants, silver ions, and elemental iodine. The overall lack of understanding as to the severity of the problems associated with biofilms and the limitations of competitive products represents a unique opportunity for the Company.

Additionally, the Directors believe Sterilox Solutions may have the potential to compete with sodium hypochlorite in the treatment for over 100 million root canal procedures worldwide per year and with chlorhexidines which are used as an oral rinse in dental surgeries.

Regulatory

The Dental System used in the Dental business unit classified by the US FDA as a Class I medical device, exempt from 510(k) marketing approval. This device is listed with the FDA under listing number E178839. The Dental System is also CE marked and has all necessary clearances required in the European Union.

Development markets and programmes

Hospitality

Market opportunity

The hospitality market is defined as lodging and food service businesses that provide short term or transitional lodging, some with food and beverage operations, casinos and resort facilities.

There are various requirements of a hospitality customer that Sterilox Solutions can address including:

- ensuring that foods are not contaminated by pathogens that could lead to health and safety challenges;
- fogging public spaces to remediate or prevent viral outbreaks while keeping properties open;
- reducing pathogens such as Legionella in drinking water lines;
- sanitising hard surfaces;
- sanitisation of fruits, vegetables and seafood thereby having a significant positive impact on the safety and shelf life of fresh food; and
- improving the product life of fresh seafood through the use of "Active Ice".

PuriCore's initial efforts in hospitality focused on casino resorts in Las Vegas, Nevada. The Sterilox System provided hospitality clients with a single use multiple intervention product to replace toxic chemicals, promote worker safety and improve environmental health. Sterilox Systems have been shown to improve the Food Safety profile of ready to eat products which hotels, casinos and 'mega' resorts provide for guests through their food and beverage and banqueting preparation.

After successfully beta testing Sterilox Systems in 2003 with one of the largest hotel and casino operators in Las Vegas, PuriCore has since placed 20 Systems with some of the largest hospitality operators in Las Vegas, either in the food and beverage and/or the housekeeping departments. The Directors estimate the market opportunity to be potentially larger than the Food Safety retail market, primarily due to multiple placements possible within a property in the respective functional areas.

Strategy, sales and marketing

In the hospitality sector, Sterilox Solutions are a food safety sanitiser for fruit, vegetables and seafood. In addition, the Solutions can be used for hard surface sanitation promoting a chemical free environment for workers and eliminating storage and disposal issues with harsh chemicals. Also, in housekeeping, the Sterilox Solutions provide a non-toxic solution for environmental remediation used to stop the spread of fecal/oral transmitted viruses such as norovirus where Sterilox Solutions have proven to be effective at fogging guest rooms and public spaces.

The market for hospitality in the US is attractive because PuriCore has the potential to achieve a large number of installations of its Systems by making sales to a relatively small number of major hospitality customers. PuriCore is currently examining the multiple options for its sales channel in this market. PuriCore will determine whether to retain contract sales organisations, hire direct employees, or a combination of both, to market to the end-user. Most sales in this market in the US are determined at a senior level within an account and those relationships will be managed internally by the Company's management.

Currently, the hospitality market is a developmental opportunity for the Company, from which it plans to develop a business strategy in the latter half of 2006 by leveraging the success and experience it has gained in Las Vegas customer installations as well as in the retail grocery food business.

PuriCore plans to evaluate and where appropriate enter into other food service sectors as resources permit, specifically cruise lines, airlines, contract foodservices, including schools and correctional facilities and restaurants. The Directors believe that numerous synergies exist within these markets, expanding the overall food service estimated addressable market in the US to greater than $1 billion across 12,000 addressable US locations.

Products

PuriCore markets the 2100 System customised for use throughout the Food Safety and Hospitality market.

Wound care

Market opportunity

This global market is currently estimated to be $1.4 billion and is comprised of well established market participants. Owing to the specialised nature of the wound care market, the Company anticipates that it will seek to partner with one or more major companies in this field after conducting additional clinical trials. The Company would initially address the general wound irrigation market, as $517 million was spent on the treatment of advanced wounds (pressure, diabetic, venous ulcers and burns) in 2004. The Directors believe that there is a potential US addressable market for chronic ulcerative wounds of over $50 million per year[17]. The Company will address any regulatory requirements as the opportunity and potential product is addressed.

Strategy, sales and marketing

Sterilox Solution has been shown to be an effective means of treating chronic ulcerative skin lesions such as venous stasis ulcers. The Company intends for Sterilox Solution to be used as a complementary therapy to existing wound care treatments such as pressure bandages, vacuum dressings and grafting, and, in particular, where existing therapies have provided less than desired outcomes. Sterilox Solution will be a replacement for areas where saline or water are currently used, such as lavage, hydrotherapy, and cleansing.

Products

The Company intends to develop a wound care product from the Sterilox Solution that is used for lubricating, moisturising, cleansing, debriding and deodorising wounds. Preliminary clinical studies on wounds that previously were unresponsive using conventional methods demonstrated significant improvements in wound healing in 70 *per cent* of patients. A 20 patient study of venous leg ulcers previously diagnosed as untreatable was carried out at Oxford University and the Churchill Hospital in the UK in 2002 and published in January 2006. This study supported earlier findings and showed 45 *per cent* of patients healed after 12 weeks of treatment, 25 *per cent* of patient wounds reduced in size by more than 60 *per cent* and all patients reported being pain free. These trials also demonstrated that treatment with a Sterilox Solution is a relatively non-invasive process, capable of being performed at either an in-patient or out-patient clinic and complementary to existing therapy.

Competition

The main competition in ulcerative wounds and wound irrigation include water, saline and various wound cleansers, debriders and lubricants.

Regulatory

The Sterilox Solution has received CE Marking as a Class IIa medical device for the topical treatment of wounds. The Company has recently submitted a 510(k) application to the FDA in the US.

Water treatment

Market opportunity

In 2006, the global demand for water treatment products is approximately $30 billion[23] of which the Company anticipates initially targeting on-site treatment for Legionella control in the hospitality industry.

Strategy, sales and marketing

Although not a core business for the Company today, the Directors are evaluating the opportunity to address potential markets in the water treatment sector. The Company has previously had successful installations of its Aqualox Systems in various applications including:

- treatment of potable water supply for maintaining Legionella counts at safe levels;
- flushing of factory product lines to remove biofilm and potential contamination hazards;
- veterinary use by disinfection and biofilm removal in dairies;
- water fountains for treatment and prevention of algae;
- swimming pools for treatment of pool water; and
- container disinfection by successful disinfection of bottles on production lines.

Sales & marketing efforts in this area have previously been minimal as the Company focused its resources on its core business units.

Products

The Company has two variants of a water treatment system – the Aqualox 4000 and the Aqualox 8000, which provide Sterilox Solution at differing volumes. The Aqualox Systems are suitable for industrial use with no additional requirements other than water, electricity and salt.

Competition

There is significant competition in the water safety market with many companies offering chemical and/or filtration systems as part of their dosing, cleaning and treatment services. The Directors believe the simplicity and safety of the Aqualox Systems create significant opportunity to sell via distributors into applications where reliable and environmentally safe water treatment solutions are required.

The Aqualox System provides high level disinfection within 5 minutes dependant upon dilution. Sanitising times for most applications are typically halved when an Aqualox System is used.

Regulatory

The Aqualox Systems are CE marked and recent evaluation studies undertaken by an independent laboratory in Germany have shown that the Sterilox Solutions generated by the Aqualox Systems are

effective at treating Legionella to the standards required by German water guidelines. The Company will address any additional regulatory requirements as the opportunity and potential product is addressed.

Environmental remediation

Market opportunity

Environment remediation is the decontamination of environmental hazards and includes providing diagnostic, on-site labour services and solutions to remove harmful bio-contaminants including norovirus, antibiotic resistant MRSA, *Acinetobacter* and other pathogens. This is an emerging industry in which the Directors believe that successful penetration of a Sterilox Solution in niche areas of this market by the Company ultimately depends on a realisation by end-users of the applicability of the Company's technology and the value offered.

Strategy, sales & marketing

Although not a core business for the Company today, the Directors are evaluating the opportunity to address potential markets in the sector. The Company has previously conducted successful trials using the Sterilox Solution in various applications in the UK and US including:

- hotel room remediation as set out in the Hospitality section above, using a fogging application to remove the norovirus and return the rooms to an environmentally 'clean' condition in Las Vegas. Additionally Sterilox Solutions can be used in the remediation of smoking odour in hotel rooms; and
- hospital ward remediation, using a fogging application to remove the MRSA virus and return the ward to a clinically 'clean' status.

The near term focus will be to leverage the experience obtained servicing hotels in Las Vegas as set out in the "Hospitality" section above to other environments to enable the creation of a formalised business plan detailing the distribution, marketing and resource strategies.

Products & technology

PuriCore has already used Sterilox Systems to provide safe, effective and efficient treatment for eradicating harmful micro-organisms from environmental spaces. The Solution is delivered either through a pre-qualified fogging device or through manual application methods and is portable from room to room.

Competition

Competition in the environmental remediation industry is diverse with many companies offering products and services to provide cleaning and treatment services. The Directors believe that a potential collaboration with current industry participants may be likely as the business strategy develops.

Regulatory

Sterilox Solutions are EPA allowed.

RESEARCH AND DEVELOPMENT

The Directors believe that maintaining strong development capabilities is essential to successful innovation in order to build on the Company's competitive position in its core businesses, thereby creating new and improved products tailored to meet the requirements of new and existing customers.

The Directors intend to continue to invest in research and development, and to this end have assembled teams of high quality and experienced employees in microbiology, chemistry, clinical education, and engineering in both the UK and US.

In addition to life cycle management of existing Sterilox Systems, the Company is pursuing a number of research and development opportunities from which the Directors believe the Company's technology can extract significant value, including in those areas which are discussed in the development programmes section earlier in this Part VI.

The Directors believe that the Group's intellectual property, processes, Systems and applications, allied with its design competencies and customer, manufacturing and distributor relationships, put it in

a strong position to capitalise upon the general market acceptance of the benefits of Sterilox Solutions. The Directors believe the changing demographic and regulatory environment will increase the size of the Company's target markets.

INTELLECTUAL PROPERTY

The Group owns intellectual property related to the Sterilox Cell, Sterilox Systems and Sterilox Solutions. The Group has 16 granted patents and has a further 24 pending patent applications which are currently outstanding in various jurisdictions. The patents and pending patent applications relate to 13 different inventions. The Company also has 11 registered trade marks and a further 22 pending trade mark applications have been made relating to 14 different trade marks. The Company further possesses certain proprietary know-how and trade secrets.

Patents

The Directors are aware of the importance of protecting the Company's inventions, and continue to seek patent protection where appropriate in the relevant jurisdictions. The Group's 16 granted patents issued in the UK, Canada, US and certain designated European countries and relate to the following:

- operating system used in the Sterilox Systems (US patent and UK patent);
- catholyte recirculation system used in the Sterilox Systems (European patent and Canadian patent);
- operating system used in the Sterilox Dental System (UK patent);
- electrochemical cells used and for use in the Sterilox Systems (UK patents and US patent);
- ceramic membrane for use in the Sterilox Systems (UK patent, US patent and European patent);
- wound care application (UK patent and European patent); and
- endoscope coating system and applicator (UK patents and US patent).

In addition to pending applications in other jurisdictions for some of the above patent families, PuriCore has further pending applications relating to other, more recent inventions. For example, there are pending applications covering aspects of Sterilox Solutions, improvements to the separator arrangement in the Sterilox Cell, and a further medical treatment invention.

Trade marks

The Company protects its most significant trade marks and currently holds various registrations and pending applications in the UK, EU and US for 'Active Ice', 'Applied Aquametics', 'Aqualox', 'Aquatine', 'Bioptica', 'Enigma', 'Nimrod', 'Optiflex', 'Polymax', 'PuriCore', 'Sterilox', 'Sterox', 'Thericor' and 'Vashe'.

Know-how

The Group has conducted extensive research and development on the Company's technology which has led to the creation of a substantial body of knowledge and confidential information ("know-how") concerning both the production and use of the Sterilox Solution and the Sterilox Systems and control systems required for such production and use in a number of market applications. In addition to its published patented intellectual property, the Directors believe that this know-how provides the Company with a significant advantage over competitors who would similarly need to invest heavily in research and development in order to determine the optimum operating parameters of the Company's Systems.

The Company's intellectual property position is set out in more detail in the report prepared by David Keltie Associates in Part XIV of this document.

CURRENT TRADING AND PROSPECTS OF THE COMPANY

The Company's sales in the period from the end of its 2005 financial year, 31 December 2005, the date of the latest audited financial information which is included in Part XI of this document and 31 March 2006, have increased significantly compared with the same period last year and compared with the last quarter of the Company 2005 financial year end, in particular with the Endoscopy business unit in the UK and the Food Safety business unit in the US demonstrating strong growth. Directly related to the increase in sales, operating loss has narrowed significantly from the last quarter of 2005 to the first quarter of 2006.

FACILITIES

PuriCore will be moving its corporate headquarters from Radnor, Pennsylvania to Malvern (near Philadelphia), PA in the US as of 1 July 2006, where from 1 July 2006 it will occupy a new facility with 20,469 square foot space under a lease agreement expiring in September 2009. Additionally, in the UK the Company has its principal office in Stafford, consisting of 15,511 square feet of space on a lease term that expires in September 2014.

INSURANCE

It is PuriCore's business policy to take out insurance to the extent it considers appropriate for its business. PuriCore currently maintains insurance policies covering risks associated with its property, equipment, stock, Director and Officer, travel, medical and employee liability, and product liability, each in amounts the Directors believe to be appropriate to its business.

PART VII: SELECTED FINANCIAL INFORMATION

The following is a summary of the Sterilox Group's financial information for the periods indicated. The data has been extracted without material adjustment from, and is qualified in its entirety by reference to, the financial information in Part XI – "Financial information". The summary should be read in conjunction with that section and with Part VIII – "Operating and financial review". Investors are advised to read the whole of this document and not rely on just the key or summarised information.

Except as otherwise noted, all amounts are presented in accordance with IFRS for the years ended 31 December 2004 and 2005, and in accordance with US GAAP for the year ended 31 December 2003. For a description of the principal differences between IFRS and US GAAP, please refer to note 33 in Part XI – "Financial Information".

IFRS

CONSOLIDATED INCOME STATEMENTS

For the years ended 31 December

	2004 *$*	*2005* *$*
CONTINUING OPERATIONS		
REVENUE	11,285,422	12,835,954
Cost of sales	(7,750,128)	(8,961,594)
GROSS PROFIT	3,535,294	3,874,360
Selling, general and administrative expenses	(13,231,700)	(14,035,941)
Research and development	(2,356,884)	(1,646,277)
Gain on disposal of property, plant and equipment	1,179,839	—
EARNINGS BEFORE INTEREST AND TAX	(10,873,451)	(11,807,858)
Finance costs	(3,480,740)	(1,227,546)
Finance income	67	119,489
LOSS BEFORE TAX	(14,354,124)	(12,915,915)
Income tax expense	—	—
LOSS FOR THE YEAR	(14,354,124)	(12,915,915)
ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE PARENT	(14,354,124)	(12,915,915)
EARNINGS PER SHARE	*$/share*	*$/share*
Continuing operations		
Basic	(0.26)	(0.14)
Diluted	(0.26)	(0.14)

CONSOLIDATED BALANCE SHEETS

at 31 December

	2004 *$*	*2005* *$*
ASSETS		
NON CURRENT ASSETS		
Intangible assets	4,139,035	4,534,245
Property, plant and equipment	1,958,336	3,649,412
Other loans receivable	-	783,073
Other receivables	521,008	202,270
TOTAL NON CURRENT ASSETS	6,618,379	9,169,000
CURRENT ASSETS		
Inventories	3,359,681	3,731,050
Trade and other receivables	1,758,427	2,882,226
Other loans receivable	2,300,000	1,775,226
Cash and cash equivalents	-	952,842
TOTAL CURRENT ASSETS	7,418,108	9,341,344
TOTAL ASSETS	14,036,487	18,510,344
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	(8,440,945)	(6,675,808)
Financial liabilities	(2,750,838)	(2,362,641)
TOTAL CURRENT LIABILITIES	(11,191,783)	(9,038,449)
NON CURRENT LIABILITIES		
Financial liabilities	(13,061,702)	(2,881,046)
Provisions	(151,672)	(25,752)
TOTAL NON CURRENT LIABILITIES	(13,213,374)	(2,906,798)
TOTAL LIABILITIES	(24,405,157)	(11,945,247)
NET (LIABILITIES)/ASSETS	(10,368,670)	6,565,097

	2004 *$*	*2005* *$*
EQUITY		
Share capital	46,424	99,494
Share premium	64,322,737	93,283,890
Other reserves	1,843,224	2,808,835
Retained earnings	(76,735,378)	(89,651,293)
Cumulative translation adjustment	154,323	24,171
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS	(10,368,670)	6,565,097
TOTAL EQUITY	(10,368,670)	6,565,097

US GAAP
CONSOLIDATED BALANCE SHEET
at 31 December 2003

	2003 *$*
Assets	
Current assets:	
Cash and cash equivalents	1,629,621
Accounts receivable, net	1,376,031
Inventories	2,525,689
Other current assets	317,678
Total current assets	5,849,019
Property and equipment, net	2,050,355
Intangibles, net	3,167,776
Goodwill	1,128,545
Other assets	747,865
Total assets	12,943,560
Liabilities and Stockholders' Deficit	
Current liabilities:	
Note payable	1,220,000
Accounts payable	2,835,061
Accrued expenses	1,235,335
Deferred revenue	578,425
Current portion of capital lease obligations	4,987
Total current liabilities	5,873,808
Notes payable – noncurrent	9,774,696
Capital lease obligations, less current portion	11,873
Total liabilities	15,660,377
Commitments and contingencies	
Stockholders' deficit:	
Common stock, $0.001 par value. Authorised 150,000,000 shares; issued and outstanding 43,222,690 shares	43,223
Additional paid-in capital	59,640,949
Deferred compensation	(285,999)
Accumulated deficit	(62,274,423)
Accumulated other comprehensive income	159,433
Total stockholders' deficit	(2,716,817)
Total liabilities and stockholders' deficit	12,943,560

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended 31 December 2003

	2003 *$*
Net sales	9,505,738
Cost of sales	(5,423,658)
Gross profit	4,082,080
Operating expenses:	
Selling, general, and administrative expenses	(8,826,747)
Research and development	(1,861,034)
Total operating expenses	(10,687,781)
Operating loss	(6,605,701)
Interest income	455
Interest expense, including amortisation of warrant costs	(961,788)
Foreign currency loss	(166,100)
Net loss before income tax expense	(7,733,134)
Income tax expense	(518,243)
Net loss	(8,251,377)

PART VIII: OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the financial information set out in Part XI — "Financial Information" of this document and the other financial information contained elsewhere in this document. This review contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in Part II — "Risk Factors".

The financial information in this Part VIII for the three years ended 31 December 2005 has been extracted without material adjustment from Part XI — "Financial Information" of this document.

GROUP BACKGROUND AND CURRENT ACTIVITIES

PuriCore is a life sciences company focused on the development and commercialisation of its proprietary technology. This technology mimics the production by the human immune system of the body's natural anti-microbial, hypochlorous acid, which protects the body from infection.

The Group markets a portfolio of branded systems (the "Sterilox Systems" or "Systems") which produce hypochlorous acid solutions from water, electricity and common salt. These solutions (the "Sterilox Solutions" or "Solutions") are non-toxic, non-hazardous and highly effective.

The Sterilox Systems incorporate proprietary electrolysing cells (the "Sterilox Cells" or "Cells"), proprietary software and process controls enabling the production of Sterilox Solutions from salt water to required specifications on a reliable and consistent basis. The Group places the Sterilox Systems with customers either under a rental agreement or via a capital sale, enabling the customer to produce Sterilox Solution on-site and on-demand.

To date, the Company has focused on the disinfection of medical instrumentation (particularly Endoscopy in the UK), on Food Safety (in the US) and on the Dental market.

PuriCore's revenues for the year ended 31 December 2005 were US$12.8 million, broken down as follows:

	millions *$*
UK – Endoscopy division	11.0
US – Food Safety division	0.8
Dental division	1.0
Total	12.8

This level of sales was generated by placing 950 systems into the field during 2005, which represented an increase of 357 systems, or 60 *per cent*, over the previous year. In the three months to 31 March 2006 the Company has placed 461 systems representing a 209 *per cent* increase over the same period in the prior year. This gives the Company an aggregate installed base exceeding 2,100 systems placed with customers around the world, including over 600 systems placed with one of the largest food retailers in the US.

The Group's principal operating subsidiaries are located in the US and the UK. The Group's corporate headquarters will be moving from Radnor, Pennsylvania to Malvern, Pennsylvania as of 1 July 2006 and its international operations are based in Stafford, UK. Globally, the Group employed 92 personnel with 40 in the US and 52 in the UK as of 31 May 2006.

Financing

As of 31 December 2005, the Group had raised Net Funds of approximately $93.3 million primarily by way of private equity placements of its common stock. Recent material equity transactions have included the following:

- During 2005, the Group offered to all holders of shares of its common stock the right to purchase, at a subscription price of $0.50 per share, one share of common stock for each share of common stock held by such stockholder (the "Offering"). All holders of common stock as of 31 January 2005 were entitled to participate in the Offering. Participants in the Offering who subscribed for the entire amount of shares to which they were entitled also were able to subscribe, on a pro rata basis based on their percentage ownership of common stock, for additional shares of

common stock, to the extent that other stockholders had not subscribed for the entire amount of shares of common stock to which they were entitled in the Offering (the "Secondary Offering"). Upon the consummation of the Offering and the Secondary Offering, the Company issued 47.3 million shares of common stock for gross proceeds of $23.6 million. From these proceeds, the Company repaid an outstanding $2.3 million bridge loan and funded the redemption of $8.3 million of outstanding convertible promissory notes for $10.1 million.

- In April and May 2005, following the consummation of the Offering and the Secondary Offering, the Company issued an additional 1.9 million shares for net proceeds to the Company of $1.0 million. These shares were purchased by existing shareholders.
- In December 2005, an existing shareholder purchased 1.1 million shares of the Company's common stock for $1 million.
- In January 2006, the Company sold 6.5 million shares of the Company's common stock to an investor for $6 million.

Historically, the Company has funded its working capital needs through two additional sources: the issuance of promissory notes (debt) and third party vendor finance agreements. While equity capital has been used largely to finance the development of the Company's products and to finance the growth of its business, the Company has historically borrowed against the future cash flows from rental or lease agreements in respect of the Sterilox Systems. In the UK, this has primarily taken the form of the sale of leases whereby the Company assigns the cash flows from hospitals to a finance company. Proper accounting treatment under US GAAP and IFRS requires all revenues to be recognised at the time of assignment. In the US, however, the Company does not assign the rental streams but retains these cash flows and borrows against its own balance sheet. This is treated as ongoing rental income under IFRS and US GAAP.

It is the Directors' intention following Admission to cease assignment of the majority of all new UK leased systems. However, the Company may continue to use debt to fund a portion or all of its capital expenditure costs in the future, thereby reducing the Company's weighted average cost of capital from funds raised from equity and other sources.

Recent material debt transactions have included the following:

- In November 2005, the Company borrowed $2.1 million in the form of a secured promissory note. The note is payable in 35 monthly installments beginning January 2006, bears interest at a rate of 7.5 *per cent*, and is secured by certain rental systems (and related payments). Monthly payments due on this note are aligned with payments due the Company for certain rental systems. As of 31 December 2005 the outstanding balance of this note was $2.1 million.
- In December 2005, the Company borrowed an additional $2.1 million, again in the form of a secured promissory note. The note is payable in 35 monthly installments beginning February 2006, bears interest at a rate of 7.5 *per cent*, and is secured by certain rental systems (and related payments). Monthly payments due on this note are aligned with payments due the Company for rental systems. Funds from this note were received in January 2006 and are therefore classified as Loans Receivable on the 2005 Balance Sheet. As at 31 December 2005, the outstanding balance of this note was $2.1 million.
- In April 2006, the Company obtained a non-revolving line of credit of $7.5 million secured by all of its assets with draw down of the line of credit contingent upon the security of certain rental systems (and related payments). All draw downs have a three year term with an interest rate determined at the time of draw down. Any unused portion of the line of credit terminates on 16 October 2006. As of 28 April 2006, $4.6 million had been drawn down by the Company based on system rentals entered into by the Company during January, February and March of 2006. As of 1 May 2006, the annual interest rate on the outstanding amount of the line of credit was 8.16 *per cent*.
- The Company also benefits from an overdraft facility through its UK subsidiary. At 31 December 2005, the line of credit with its commercial bank totalled £550,000 bearing interest at a rate of 2.25 *per cent* per annum over the bank's current base rate. The line is secured by the accounts receivable of the Company's UK subsidiary. As of 31 December 2005 and 2004, $884,424 and $445,851, respectively, were outstanding. The line was reduced to £450,000 as at 30 April 2006, and will be further reduced to £300,000 as at 31 May 2006 and to £150,000 as at 30 June 2006. The line of credit bears interest at a rate of 2.5 *per cent* per annum over the bank's base rate. The line remains secured by the accounts receivable of the Company's UK subsidiary.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On Admission, the Group will be required to adopt IFRS in the next published annual financial statements. Historical financial information for each of the years ended 31 December 2004 and 2005 has been restated in accordance with IFRS. The transition date to IFRS is 1 January 2004 and the opening balance sheet for the year ended 31 December 2004 has been restated in accordance with IFRS. Further information of the first time adoption of IFRS can be found in Part XI – "Financial information" of this document. Historical financial information as of and for the year ended 31 December 2003 has not been restated to IFRS, but rather has been prepared according to US GAAP. Although 2003 has been prepared under US GAAP and 2004 and 2005 under IFRS, material differences only arise due to capitalised research and development expenditure, share option charges recorded under IFRS and equity and debt components of compound financial instruments being 'split' accounted under IFRS. Where these material differences affect the information and captions used in this part, to allow comparison on a like for like basis across the historical period, the balances pre and post the IFRS adjustment have been given or are discussed in the narrative below.

The Directors consider that the information presented in the tables and charts in this part provide useful financial information relating to the performance of the Company. This information should not be considered as an alternative, but as supplementary to the full IFRS financial statements.

The consolidated shareholders' funds as of 1 January 2004 (the date of transition), restated for IFRS may be summarised as follows:

$000's	**1 January 2004**
Shareholders' funds under US GAAP	**(2,717)**
Compound financial instruments – equity component split accounted	536
Development expenditure capitalised	124
Shareholders' funds under IFRS	**(2,057)**

The principal impacts of IFRS on the balance sheet at 1 January 2004 (the date of transition) are as follows:

Compound financial instruments

Financial liabilities that include an option to convert to equity instruments are compound financial instruments under US GAAP and IFRS. Under IFRS the instrument is required to be "split" accounted – i.e. the equity component should be valued and shown as a component of equity. This treatment is not permitted under US GAAP. The equity component of convertible debt instruments has been included in "other reserves" under IFRS. At 1 January 2004 the equity component reclassified is $536,000.

Development expenditure capitalised

Under IFRS, IAS 38 states that when the technical and economic feasibility of a project can be demonstrated and further prescribed conditions are satisfied, the costs of the development of the project must be capitalised. Any costs relating to research must be expensed as they are incurred.

Under US GAAP, FAS 2 requires general research and development costs that are not covered by separate standards to be expensed as they are incurred.

Expenditure capitalised is $124,000 at 1 January 2004.

INCOME STATEMENT IN SUMMARY

The table below shows the key financial indicators for each of the last three years. For the year ended 31 December 2003 the results are presented under US GAAP and for years ended 31 December 2004 and 2005 the results are presented under IFRS. Where material US GAAP to IFRS adjustments have been made in 2004 and 2005, these have been discussed separately.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) (2003: unaudited) have been calculated after exceptional items by deducting cash charges including sales, general and administration expenses from gross profit but before deducting expenses for non cash charges such as depreciation and amortisation. The consolidated income statements for the 3 years ended 31 December 2003, 2004 and 2005 are set out in detail in Part XI—"Financial Information".

$000's	**US GAAP 2003**	**IFRS 2004**	**IFRS 2005**
Revenue			
UK Endoscopy	9,506	9,905	10,994
US Food Safety	—	578	832
Global Dental	—	802	1,010
	9,506	11,285	12,836
Gross Profit (unaudited)			
UK Endoscopy	4,082	4,764	4,205
US Food Safety	—	(332)	(710)
Global Dental	—	(477)	379
Corporate and unallocated	—	(420)	—
	4,082	3,535	3,874
Earnings before interest, tax, depreciation and amortisation, EBITDA (2003: unaudited)			
UK Endoscopy	1,294	(620)	(2,723)
US Food Safety	—	(1,540)	(2,486)
Global Dental	—	(1,275)	(260)
Corporate and unallocated	(6,397)	(6,381)	(5,010)
	(5,103)	(9,816)	(10,479)
Earnings before interest and tax, EBIT			
UK Endoscopy	1,114	(1,183)	(3,266)
US Food Safety	—	(1,557)	(2,595)
Global Dental	—	(1,299)	(393)
Corporate and unallocated	(7,720)	(6,834)	(5,554)
	(6,606)	(10,873)	(11,808)
Earnings per share – basic (2003: unaudited)	$(0.19)	$(0.26)	$(0.14)

The difference in EBIT in 2003 under IFRS compared to US GAAP results from $113,000 capitalised development costs in the UK and $390,000 additional share option charge under IFRS 2 in the US.

PuriCore has experienced operating losses in each year since its inception and, as at 31 December 2005, had an accumulated deficit of approximately $89 million. Headcount has increased in line with investment in the business and has increased from 71 in the financial year ended 31 December 2003 to 73 and 84 in the financial years ended 2004 and 2005 respectively. The Company expects to incur further operating losses over the next couple of years as it continues to fund development activities and expand geographically.

The exchange rate for the Group's income statement of US dollars to pounds sterling for the three year period ended 31 December 2005 was as follows:

2003	$1.63 to £1.00
2004	$1.83 to £1.00
2005	$1.84 to £1.00

Key features of trading over the past three years are:

- volume growth and, more recently, price growth in the UK as the business has become more established in its marketplace;

- penetration of the US Food Safety and Dental markets generating revenue from 2004;
- increase in the supporting cost infrastructure to support future planned growth;
- product upgrade costs in the UK and US following early compatibility issues, which have now been resolved; and
- negative gross margins in the US arising due to low average sales prices, which assisted in establishing early revenues.

During the years 2003-2005, there were several specific non-recurring charges taken against earnings. In the US, charges to earnings were taken for deposits, stock, and fixed assets related to items intended for use in US medical applications which were subsequently abandoned until further development was undertaken. These charges totaled $1.0 million and $0.8 million in the financial year ended 31 December 2003 and the financial year ended 31 December 2004, respectively. In the UK, stock write-off charges of $0.1 million were taken in each of the financial year ended 31 December 2003 and the financial year ended 31 December 2004 for obsolete equipment. Lastly, severance charges of $0.6 million were charged the financial year ended 31 December 2004 in relation to the former CEO and $0.3 million in relation to the former president of the UK Endoscopy business.

PERFORMANCE REVENUE

$000's	US GAAP 2003	IFRS 2004	IFRS 2005
UK Endoscopy	9,506	9,905	10,994
US Food Safety	—	578	832
Global Dental	—	802	1,010
Total	9,506	11,285	12,836
Estate (Sterilox Systems)	114	707	1,657

Summary

In order to finance the development of its products and its business, the Company historically borrowed against the future cash flows from rental agreements in respect of the Sterilox Systems. In the UK, this took the form of the assignment of the leases whereby the Company assigned the cash flows from the hospitals to a finance company. Proper accounting treatment under US GAAP and IFRS requires all revenues to be recognised at the time of assignment. In the US, however, the Company does not assign the rental streams but retains these cash flows and borrows against its own balance sheet. This is treated as ongoing rental income under IFRS. It is the Directors' intention following Admission to cease assignment of the majority of all new UK rental streams. Going forward the Company will continue this practice with the goal of increasing the percentage of recurring revenues as a proportion of total revenues from operations.

2003

UK Endoscopy Revenue and Gross Profit

UK Endoscopy revenues during 2003 were $9.5 million and comprised substantially all of the Company's revenue for the year. Capital sales comprised of 17 Maxigens ($1.8 million), 19 Midigens ($0.8 million) and 55 AERs ($1.4 million). The balance of sales consisted of rental revenue related to leased equipment, converted rental sales where existing rental equipment were sold (12 during the year), and service revenue related to all systems placed to date. Gross margins were 51 *per cent* for the period, 44 *per cent* excluding the impact of the rental sales. The gross margins are reflective of the mix of equipment and markets, with standard gross margins most favorable on UK Maxigen capital sales.

Gross Margin for the Endoscopy business unit in 2003

	UK	International
Maxigen	68.4%	56.7%
Midigen	61.9%	61.8%
AERs	43.9%	67.9%

US Food Safety and Global Dental Revenue and Gross Profit

There were no US sales of these products in 2003. There were limited, immaterial, Dental sales of less than $0.1 million in the UK as the business was being launched.

Worldwide revenues in 2003 consisted exclusively of UK Endoscopy Systems and AERs and related service revenues.

2004

UK Endoscopy Revenue and Gross Profit

UK Endoscopy revenues increased $399,000, or 4 *per cent*, from 2003 to 2004, driven by System volume and price growth.

Sales of the Group's Automatic Endoscope Reprocessor (AER), S.A.F.E.R., in the UK grew by $631,000 or 30 *per cent*, from 2003 to 2004 largely due to increases in average selling prices. Twin S.A.F.E.R.s with higher average selling prices were introduced in 2004, along with a more formal pricing strategy. No new unassigned leases were undertaken in the UK during 2004 and 12 previously unassigned leased machines were assigned. This strategy was followed in order to provide funding to support expansion and working capital needs.

US Food Safety and Global Dental Revenue and Gross Profit

The Sterilox Systems were launched in the US during 2004 in the Dental and Food Safety businesses. Comparisons to 2003 are not meaningful. Total 2004 sales were $1.4 million.

2005

UK Endoscopy Revenue and Gross Profit

UK Endoscopy revenue increased $1.1 million, or 11 *per cent*, from 2004 to 2005 reflecting further growth in UK System sales volume and price. The growth in System sales volume was due in part to improved sales focus and pricing. The growth in price was due in part to a strategic decision to focus on price and margin per sale rather than sacrificing price and margin for increased volume.

AER revenue decreased $35,000, or 2 *per cent*, from 2004 to 2005. This was as a result of a strategic decision to discount AER prices to promote sales of the Sterilox Systems.

US Food Safety Revenue and Gross Profit

US Food Safety revenue increased $254,000, or 44 *per cent*, from 2004 to 2005 as volumes and average sales prices increased. This revenue increase was due in part to the implementation of a rental food contract with one of the largest food retailers in the US.

Global Dental Revenue and Gross Profit

Global Dental revenue increased $208,000, or 26 *per cent*, from 2004 to 2005 due to higher volume sales to distributors in the US and UK as well as increased sales of the Company's Proprietary electrolyte solution.

Earnings Before Interest and Tax

The difference in EBIT in 2003 under IFRS compared to US GAAP results from $113,000 capitalised development costs in the UK and $390,000 additional share option charge under IFRS 2 in the US.

As already noted the main reasons for the increase in the Group's losses before interest and tax from 2003 to 2005 were:

- the cost of a UK upgrade programme;
- the strengthening of the Senior Management team and numerous new positions created in anticipation of future growth;
- the UK business relocation to new premises in Staffordshire to provide growth capacity;
- sales team expansion in the UK and the US ahead of planned growth;
- a general increase in supporting infrastructure costs;
- costs incurred to develop an Endoscopy System in the US;

- costs relating to the US Food Safety and Dental System replacements, along with significant severance payments and recruitment costs; and
- write-off of certain obsolete equipment and stock in the US.

The UK upgrade programme involved updating previously sold Systems to the then current specification. The costs of upgrades were borne by the Company to ensure customer satisfaction and increase the longevity of the Systems. Completion of the UK upgrade programme led to a slight strengthening of UK service margins. Other margins increased due to reduced UK endoscope protection costs (as a result of increased user awareness and use of the Company's E-wipe), increased carriage charges in the US and growth in UK consumable sales, as the machine estate developed.

RESEARCH & DEVELOPMENT

Research and development expenditure has been a major component of the Group's historical cost base. Significant projects over the period from 2003 to 2005 have focused on the development and continuous improvement projects focused on the Company's Systems. Internal costs related to research and development have been primarily focused on development of the Company's core technology and entry into new markets, particularly US endoscopy. Internal headcount has remained relatively flat from 2003 through 2005 as significant projects have been outsourced to third parties. Internal resources have focused on project management.

As a consequence of adopting IFRS as of 1 January 2004, all research and development costs which meet the recognition criteria in IAS 38 have been capitalised as at 1 January 2004 and in 2004 and 2005. These will be amortised over the life of the projects to which they relate. In 2005 and 2004 the net value of capitalised research and development was $0.8m and $0.5m, respectively. Amortisation of $0.1m has been charged in 2005 (2004: $nil).

EARNINGS PER SHARE

Loss per share in 2003 was $0.19 under US GAAP (unaudited). Basic and diluted earnings per share improved from a loss per share of $0.26 in 2004 to a loss per share of $0.14 in 2005 both presented under IFRS.

The following is a summary of the main movements in the earnings per share calculation from 2004 to 2005:

	Earnings $000	Weighted average number of shares	Basic EPS $
Per 2003 US GAAP income statement	(8,251)	42,948	(0.19)
Increase in loss in 2004	(6,103)	—	
New shares issued in 2004	—	12,875	
Per 2004 income statement	(14,354)	55,823	(0.26)
Reduction in loss in 2005	1,438	—	
New shares issued in 2005	—	38,512	
Per 2005 income statement	**(12,916)**	**94,335**	**(0.14)**

CASHFLOW AND TREASURY

LIQUIDITY

Despite volume and price growth in the UK and penetration of the US market, operating cash outflows across the period were a result of a significant increase in the overhead base of the group to allow future expansion and the cost of placing systems on term rental agreements financed by post installation term loans.

UK

The UK reported cash outflows during 2005 were primarily due to trading losses and ongoing investments in a non-current asset base. Significant cash outflows incurred during 2005 included severance payments and property, plant and equipment additions.

US

Within the US cash outflows increased during 2005, reflecting the ongoing investments and the associated increased need for working capital. The main cash outflows were due to an increase in fixed assets (primarily leased Systems) and inventory, both relating directly to increased sales volumes in the food safety business. This was partially offset by a reduction in accrued expenses driven by a decrease in accrued severance payments and accrued interest (following the 14 *per cent* notes payable being repaid during the year).

Working Capital

Working capital has improved from 2004 to 2005 as inventory levels have fallen in proportion to sales and additional cash has been added to the balance sheet. Trade and other receivables decreased $1.0 million, due to an increased level in collections primarily in the UK. Accounts receivable days have been reduced as a result. Working capital also improved through tighter credit control procedures.

Non-Recurring Cash Inflows

During the year ended 31 December 2005 there were net funding injections of $19.2 million into the Group from rights issues and equity placings. Further cash inflows during 2005 were generated from the financing of sales in the UK and US.

During the year ended 31 December 2004 there were net funding injections of $7.0 million into the Group from exercise of options and equity placings. Further cash inflows during 2004 were generated from the financing of sales in the UK.

Seasonality

The cash flow profile is affected by seasonality factors. In the UK, where the majority of sales are to the NHS, cash flow peaks in March/April and September/October, which are the NHS's fiscal half-year and full year dates respectively. Neither the US food safety business nor the Dental business is currently subject to significant seasonality factors.

Currency and Debt Facilities

The majority of the Group's cash and debt funds are held in US dollars. Pursuant to certain financing arrangements relating to payments due to the Group under certain system rentals, cash maintenance accounts are maintained under the control of the companies providing such financing in the event the Company violates the terms of the financing. In certain instances, these maintenance accounts are to be released to the Company periodically over the financing term. As of 31 December 2005, the balance in cash maintenance accounts was approximately $1 million. As of 28 April 2006, the balance in such accounts was $1.7 million. Assuming the Company does not default under its financing arrangements or under the rental terms, release of funds from these cash maintenance accounts will proceed under the following schedule:

1 December 2006	$250,000
1 December 2007	$250,000
1 December 2008	$533,000
18 October 2009	$691,000

The UK business is currently operating within an overdraft facility. The US business, however, does not have an overdraft facility. PuriCore does not have any long-term debt facilities. The debt funding at 31 December 2005, (excluding finance leases) consisted of the UK overdraft and various medium term promissory notes in the US. In April 2006, the Company established a non-revolving line of credit of $7.5 million secured by all of its assets with draw down of the line of credit contingent upon the assignment of certain system rentals. All draw downs will have a three year term with an interest rate determined at the time of draw down. Any unused portion of the line of credit terminates on 16 October 2006. As of 28 April 2006, $4.6 million had been drawn down by the Company based on an assignment of system rentals entered into by the Company during January, February and March of 2006. The annual interest rate on the outstanding amount of the line of credit is 8.16 *per cent*.

DIVISIONAL DEVELOPMENTS AND PERFORMANCE

ENDOSCOPY

Overview

Endoscopes are commonly used in many medical procedures such as colonoscopies, gastroscopies and bronchoscopies. These endoscopes are designed to be reprocessed between clinical procedures. Strict national regulations govern specific cleaning processes to ensure adequate safety and quality controls to prevent pathogen transmission and thus protect patients from disease transmission. These processes include the following steps: manual cleaning, automated washing, disinfection with an approved chemical disinfectant/sterilant, and final wash with a bacteria free rinse water.

In the UK, the Group's direct sales force has sold the Company's products to approximately 23 *per cent* of hospitals with endoscopy suites which represents installations in over 100 hospitals.

Performance

The following table summarises the performance of this sector across the period:

$000's	**US GAAP 2003**	**IFRS 2004**	**IFRS 2005**
Revenue	9,506	9,905	10,994
EBITDA (2003: unaudited)	1,294	(620)	(2,723)

Revenue in the Endoscopy business unit is principally a result of AER sales and System lease assignments in the UK. Revenue from Systems lease assignments increased by $0.6m from 2004 to 2005 due to:

- increased sales volume of Maxigen and Midigen Systems, due to a strengthened sales team. This primarily benefited the first half of 2005;
- improved pricing, due to a more structured pricing strategy and focused sales team; and
- strong growth in Midigen sales as the product was relatively new to the market in 2003 and proved popular, as it caters to a different sector of the market.

The increase in AER sales is predominantly due to the increase in average selling price. The increase in average selling price in 2005 was the result of a strategic decision to focus on price instead of volume.

The Endoscopy division changed its strategic focus in 2004 to concentrate on UK revenue growth and reduce its non-UK sales focus in order to ensure market share growth within the UK market. As a result, non-UK Endoscopy revenue remained limited ($512,000 in 2005).

The Endoscopy division's main customers in the UK are entities affiliated with NHS. Revenue levels in the UK Endoscopy division peak in March/April and September/October, as expected, as these are the NHS fiscal half-year and full year periods during which the NHS generally approves purchasing decisions.

Service income is considered to be a secondary income stream for the Endoscopy division. A one-year warranty is offered on all Sterilox Systems and AERs. After expiry, customers have the option to renew the warranty for a fee. Service income in the Endoscopy division has increased over the period in line with the increase in systems placed.

Lease income in the Endoscopy division has fallen as a result of the assignment of cash flows from the hospitals to a finance company. Such assignments require the Company to recognise revenue at the time of assignment. It is the Directors' intention, following Admission, to cease assignment of the majority of its UK Endoscopy equipment leases. Since 2003, no Systems have been placed without assignment of the lease. As the Company builds its rental model in the Endoscopy business, its gross margins may be negatively affected in the short term as the Company manufactures and installs its Systems at customers locations. In the rental model, the Company incurs upfront fully loaded costs of approximately £28,000 per system. These costs are fully recovered over a period of approximately 18 months.

Standard gross margin for the Endoscopy division have fluctuated throughout 2005 due to:

- sales mix within the period among Systems and AERs (Systems have higher margins);
- variations in the average selling prices between hospitals due to volume of units sold;
- increase in the average selling price of Maxigen Systems, partly offset by an increase in the average cost, due to upgrade of parts to improve the quality of the machines; and

- upgrade of Midigen Systems resulting in added costs to the new Systems thus reducing gross margin. The average selling price was not increased to reflect these additional costs; and
- reduction in lease gross margin due to the lease depreciation not reducing at the same rate as the lease income (where machine cash flows not assigned). This has occurred as the depreciation charge includes depreciation on test machines, lab machines, training machines and the pilot installation equipment.

FOOD SAFETY

Overview

The Sterilox Solutions improve shelf life and home life for fresh fruit and vegetables, flowers and seafood. Sterilox Solutions are being used by some of the leading US grocery supermarket chains. The patented technology produces a non-toxic, food safe sanitiser at less cost than traditional chemicals while ensuring a safer product for supermarket produce consumers. The Sterilox System helps customers reduce shrink and labour and extends the useful shelf life of treated products.

Performance

The following table summarises the performance of this sector across the period:

$000's	US GAAP 2003	IFRS 2004	IFRS 2005
Revenue	—	578	832
EBITDA (2003: unaudited)	—	(1,540)	(2,486)

The Group has focused its Food Safety division sales in the US. The launch of the Food Safety Systems (model 2000) in January 2004 represented the US business's first sales. Prior to this, the US business had been developing products and thus incurring high R&D and salary costs. The 2000 Food Safety System was replaced by the 2100 in 2005 as further development improvements were made.

In 2005, the US business signed a rental contract with one of the largest food retailers in the US. 277 Sterilox Systems were installed in the second half of 2005 with a further 506 installed through 31 May 2006. 2005 revenue reflects lease income from the second half of 2005 while EBITDA figures reflect the growth of the business to support the increased volume in units. All rental payments due from installations in 2005 were pledged as collateral to a finance company in November and December 2005. Rental receipts for installations completed in January, February and March 2006 were pledged to a second finance company in April 2006.

Gross margins have initially been low due to the Group offering discounts to gain market share. Additionally in the rental model the Company incurs upfront fully loaded costs of approximately $9,000 per system. These costs are fully recovered over a period of approximately 18 months. Now that the Company's products are in the market and being proven in the field, the current average selling prices reflect a reasonable and increasing profit margin. The margin improvement has been helped by the expansion of the Food Safety business to a number of hotels in Las Vegas.

DENTAL

Overview

Water lines used in dental surgeries suffer from the build up of biofilms and other contamination. The Group's Dental Systems decontaminate water lines and maintain acceptable water quality levels helping to create a safe and healthy work environment for patients and staff.

Performance

The following table summarises the performance of this sector across the period:

$000's	US GAAP 2003	IFRS 2004	IFRS 2005
Revenue	—	802	1,010
EBITDA (2003: unaudited)	—	(1,275)	(260)

Dental Systems have historically been sold on a capital sale basis to a distributor, Optident. The first generation dental unit, was launched in 2003 and revenues were recognised within the Endoscopy division. An improved second-generation machine was launched in late 2004. The Company agreed to

replace any of the first generation machines with second-generation machines if faults developed in the first generation units rather than repair the original machines. This was the main impact on margins in 2004.

The Company's prior distributor in the US, Ultradent, withdrew from the US market in March 2006, as it decided that the Company's dental systems were not part of its core offering. Unless and until a new sub-distributor is obtained, the Company has decided to supply dental units directly to dentists. As a consequence, the Company has increased its marketing investment. In the future, sales of the Dental Systems are to be offered both under a rental agreement and as capital sales.

Optident will continue to serve the UK market and is expanding into the Scandinavian market.

BALANCE SHEET IN SUMMARY

The table below shows the year end position under IFRS for years ended 31 December 2004 and 2005 and under US GAAP and for year ended 31 December 2003, on a summary basis:

$000's	US GAAP 2003	IFRS 2004	IFRS 2005
Total non-current assets	7,094	6,618	9,169
Total current assets	5,849	7,418	9,341
Total current liabilities	(5,874)	(11,192)	(9,038)
Total non-current liabilities	(9,786)	(13,213)	(2,907)
Net (liabilities)/assets	(2,717)	(10,369)	6,565

Non-current assets

Non-current assets remained stable in 2003 and 2004. Under IFRS at 31 December 2003, $124,000 development costs meet the IAS 38 criteria for capitalising within non-current assets. The increase in 2005 is largely due to the Food Systems rented under the agreement with one of the largest supermarket chains in the US. Once units are installed at customers' premises they are transferred from inventories into non current assets. At the end of 2005, 277 units had been capitalised with a value of approximately $2 million.

Current assets

The following is a reconciliation of the movement in current assets:

	$000
Per 2003 balance sheet under US GAAP and IFRS	5,849
Increase in inventories	834
Increase in trade and other receivables	64
Increase in other loans receivables	2,300
Reduction in cash and cash equivalents	(1,629)
Per 2004 balance sheet	7,418
Increase in inventories	371
Increase in trade and other receivables	1,124
Reduction in other loans receivable	(525)
Increase in cash and cash equivalents	953
Per 2005 balance sheet	**9,341**

UK

Within the UK, inventories largely comprise Systems, Cells and raw materials used in installation and servicing of Systems. Trade receivables comprise service consumables, capital sales and lease assignments, outstanding lease receivables and service contract payments. The receivables themselves represent either those due from hospitals or from a finance company.

US

The US has seen increased inventory holdings in 2005, in particular Dental Systems and Food Safety Systems. Dental System inventory has built up in anticipation of revenues in the first quarter of 2006. Food Safety System inventory holdings have increased in 2005 as inventory was awaiting installation at US supermarkets. Trade receivables have increased significantly during 2005. This is largely due to $2.1 million due from a finance company borrowed in relation to future cash flow associated with the

installation of rental systems. Accounts receivable consist of monies receivable from capital sales, maintenance and service contracts and unit rentals. Accounts receivable increase in 2005 was due primarily to the increase in sales volume in the fourth quarter of 2005.

The reduction in cash and cash equivalents from 2003 to 2004 was largely due to the timing of investments received ($2.3 million bridge loan received January 2004 and the previously noted rights offering in March 2005). Cash inflows of $7 million were received in the US in 2004 through non-recurring finance activities (equity and rights issues).

In 2005, the balance of cash and cash equivalents increased by $2.0 million including $1 million in other receivables due to the improved inventory controls and working capital management within the UK. Significant cash outflows were incurred within the US following increased unit volumes under rental agreements. As discussed, this rental model requires the Company to incur significant up front costs to build and install the Sterilox Systems. At 31 December 2005, the Company had $2.1 million due from a finance company borrowed in relation to future cash flows associated with its rental agreement with one of the largest supermarket chains in the US. These outflows have been offset through significant net cash inflows in 2005 of $20 million raised through non-recurring finance activities (equity and rights issues).

Current liabilities

The following is a reconciliation of the movement in current liabilities:

	$000
Per 2003 balance sheet under US GAAP	(5,874)
Reclassify warranty accruals from current liabilities to provisions under IAS 37	9
Reclassify equity element of compound financial instruments under IFRS	45
Per 2003 balance sheet under IFRS	(5,820)
Increase in trade and other payables	(3,801)
Increase in financial liabilities	(1,571)
Per 2004 balance sheet	(11,192)
Reduction in trade and other payables	1,765
Reduction in financial liabilities	389
Per 2005 balance sheet	**(9,038)**

The increase in trade and other payables from 2003 to 2004 is due to a combination of movements within trade payables, accruals and other payables. Trade payables increased in 2004 in both the UK and US as additional cash was required to fund the ongoing development of Company products. This led to an increase in the number of days trade payables were outstanding. Accruals increased largely due to increases in interest accruals, severance payment accruals and warranty accruals. Other payables reduced during the period following inclusion of a balance of $0.5 million relating to letters of credit due to a UK bank following an arrangement with a UK supplier in 2003.

The increase in financial liabilities from 2003 to 2004 is due to the increase in loan notes. During 2004, the 10 *per cent* loan notes were repaid and replaced with 14 *per cent* loan notes resulting in an increase to the amount of loan notes outstanding.

The reduction in trade and other payables from 2004 to 2005 is due to the reduction in accrued interest following the repayment of the 14 *per cent* loan notes early in 2005, the reduction in severance accrual for former US management personnel and a reduction in trade payable days outstanding in the US business.

The reduction in the financial liabilities from 2004 to 2005 is attributable to the repayment of a $2.3 million bridge loan, offset by an increase in the UK bank overdraft balance.

The UK bank overdraft balance has increased over the period as a consequence of the increase in overhead costs in anticipation of future growth.

Within the US, trade payables have increased during 2005 as a result of the increased level of production.

Non-current liabilities

	$000
Per 2003 balance sheet under US GAAP	(9,786)
Reclassify warranty accruals from current liabilities to provisions under IAS 37	(9)
Reclassify equity element of compound financial instruments under IFRS	491
Per 2003 balance sheet under IFRS	(9,304)
Increase in notes payable	(3,772)
Reduction in finance lease liabilities	6
Increase in warranty and repairs provision	(143)
Per 2004 balance sheet	(13,213)
Reduction in notes payable	13,056
Increase in finance lease liabilities	(108)
Decrease in warranty and repairs provision	126
Increase in long term portion of promissory notes	(2,768)
Per 2005 balance sheet	**(2,907)**

In 2003 non-current liabilities included $1.22 million 10 *per cent* loan notes. In 2004 the 10 *per cent* loan notes were repaid and replaced with 14 *per cent* loan notes. An additional $2.5 million was raised on the issuance of the 14 *per cent* loan notes.

The movement in non-current liabilities between 2004 and 2005 included the repayment of the $13 million 14 *per cent* loan notes outstanding offset by the issuance of three promissory notes for $4.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Overview

PuriCore's principal source of funds has been cash generated from the sale and rental of Sterilox Systems supplemented by cash inflows from investing and financing activities. Principal uses of cash have been to fund: (1) the expansion of the business through strategic investment in new markets; (2) the capital investment required for the installation of Sterilox Systems on rental contacts; and (3) the continued investment in research and development.

Capital resources available to the Company comprise net cash balances raised through operations and financing activities. Debt facilities are comprised of an overdraft facility, an unsecured note payable and promissory loan notes secured by installed systems and related future payments. An analysis of net cash and related cash flows follows:

$000's	**31 December**		
	2003	**2004**	**2005**
Cash at bank and in hand	1,629.6	—	952.8
Bank overdraft	—	(445.8)	(884.4)
	1,629.6	(445.8)	68.4
Other loans receivable due within 1 year	—	2,300.0	1,775.3
Notes payable due within 1 year	(1,220.0)	(2,300.0)	(1,427.7)
Finance leases due within 1 year	(4.9)	(4.9)	(50.5)
	404.7	(450.7)	365.5

Post the financial year end of 31 December 2005, the Company issued 6,521,739 shares to an investor for $6,000,000. In conjunction with this sale, PuriCore Inc. issued 652,174 warrants to purchase the Company's common stock at an exercise price of $0.92. The warrants vest immediately and have a term of 3 years.

Additionally, in April 2006, PuriCore, Inc. secured a $7.5 million line of credit with a US commercial bank. The line of credit is secured by the assets of PuriCore, Inc. as well as ongoing operating lease revenue streams. In conjunction with this line of credit, PuriCore, Inc. issued the lender a 3 year warrant to purchase 200,000 shares of common stock at an exercise price of $1.00 per share. A draw down of $4.6 million was made by PuriCore, Inc. on this line of credit on 19 April 2006 and an additional draw down totalling $1.1 million was made on 6 June 2006.

Principal components of the Company's cash flow are as follows:

$000's	**31 December**	
	2004	**2005**
Net cash outflow from operating activities	(8,725.2)	(14,343.0)
Capital expenditure	(1,573.7)	(3,839.2)
Proceeds from sale of capital equipment	1,694.5	336.0
Financing	6,981.3	19,157.4
Increase/(decrease) in cash	(1,623.1)	1,311.2

Recurring Revenue Model

Systems placed under the recurring revenue model require an upfront investment by the Company to fund the investment in the underlying fixed assets. The Company has borrowed against future cash flows from its rental agreements to finance expansion. In the UK this has taken the form of sale of the leases to a third party finance company. In the US the Company has borrowed against the rental revenue stream and retained the leases internally. These loans are secured by the underlying equipment though the Company retains title during and after the repayment period.

At 31 December 2005, the Company had $4.2 million in current and long-term debt outstanding related to Food Safety Systems installed during the year. There were a further 800 Systems under contract for installation in 2006, a portion of which was and will be financed for working capital purposes. This represents a potential source of capital to the Company of over $11 million.

Capital Model

Where necessary, the Company sells Systems outright to its customers. In the UK market this primarily relates to AERs whereas in the US, dental sales have been made directly to a distributor. The Company has a line of credit with a bank in the UK to fund receivables in the amount of £550,000 as at 31 December 2005. This line has subsequently been reduced to £150,000 during 2006.

PuriCore had total net short and long term debt of $15.8 million as at 31 December 2004 and $5.2 million as at 31 December 2005. The 2004 balance consisted primarily of outstanding 14 *per cent* long term notes payable that were repaid during 2005 with proceeds from the subscription rights offering. The 2005 balance consists primarily of promissory notes related to financed rental streams and the UK line of credit.

PuriCore had total short and long-term loans receivable of $2.6 million consisting of funds received and restricted cash related to borrowings against rental revenue streams.

The Company has not to date hedged against foreign currency fluctuations.

RISKS AND UNCERTAINTIES

Refer to Part II – "Risk Factors," for a detailed discussion of risks and uncertainties surrounding the Company.

The Company does not have any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, directly or indirectly, the Company's operations.

STATEMENT OF CAPITALISATION AND INDEBTEDNESS AS AT 31 MARCH 2006

The following table sets out the capitalisation and indebtedness of the Group under IFRS. The indebtedness information is as at 31 March 2006. The indebtedness table is unaudited and has been extracted from the accounting records of the Group. The capitalisation table is extracted from Part XI - "Financial Information" of this document and is as at 31 December 2005.

	$
Total current debt	
Secured finance leases (note 4)	51,096
Secured loan (note 1)	1,401,066
Total secured	**1,452,162**
Total Non-Current debt (excluding current portion of long-term debt)	
Secured finance lease (note 4)	100,481
Secured loan (note 1)	2,410,750
Total secured	**2,511,231**
Shareholder's equity	
Share capital	99,494
Share premium	93,283,890
Total Shareholders equity	**93,383,384**

In January 2006, Sterilox Technologies, Inc. issued 6,521,739 shares to an investor for $6,000,000. This issue resulted in an increase in the share capital of $6,521 and an increase in the share premium reserve of $5,993,479 less $600,000 issue costs paid.

The following table shows the current and non-current net financial indebtedness under IFRS of the Group as at 31 March 2006.

	$
Cash	1,153,107
Liquidity	**1,153,107**
Current financial receivables (note 2)	**250,073**
Current portion of non current debt	(1,401,066)
Other current financial debt (note 4)	(51,096)
Current financial debt	**(1,452,162)**
Net Current Financial Indebtedness	**(48,982)**
Non Current Financial Receivables	**783,000**
Non current bank loans	(2,410,750)
Other non current loans (note 4)	(100,481)
Non current financial indebtedness	**(2,511,231)**
Net financial indebtedness	**(1,777,213)**

Notes

1) The Secured loan consists of two secured promissory notes, payable in 35 monthly instalments from January 2006 and February 2006 respectively. The notes bear interest at 7.5 *per cent* and are secured on the leased equipment (and related payments). The monthly payments on this note are aligned with the payments due from the company for the leased equipment. As at 31 March 2006 the notes are split as follows:
   - Promissory 7.5 *per cent* loan note (November 2008) – $1,963,709; and
   - Promissory 7.5 *per cent* loan note (January 2009) – $1,848,107.
2) Non current financial receivables of $250,073 due in less than one year and $783,000 due in more than one year in relation to a Holdback agreement on the 7.5 *per cent* Promissory notes. The terms of the holdback agreement are such that $1,033,073 is held in a separate account, with the funds being utilised for any re-payments which the Group does not satisfy on the Promissory notes. The Group has no interest in the Holdback account, other than to earn accrued interest. The Holdback agreement sets out a specific payment schedule for when the Group is entitled to receive the funds provided there are no non-payments under the Note and Security Agreement.
3) There are no material contingent liabilities as at 31 March 2006.
4) The "other current" and "other non current" loans consist of finance leases, secured on the IT equipment to which they relate.

PART IX: USE OF PROCEEDS

The net proceeds to the Company from the issue of the New Ordinary Shares being offered in the Placing are estimated to be £26.4 million after deduction of underwriting commissions and other fees and expenses payable by the Company. The Company intends to convert a portion of the net proceeds it receives from the Placing into US dollars.

PuriCore intends to use the net proceeds it receives from the Placing for sales and marketing to expand core businesses and enter into new geographic, customer and product markets. Some of the net proceeds will also be applied to investment in research and development in order to strengthen and expand upon the Company's position in its existing markets as well as in these new markets further details of which are set out in "Development Markets and Programmes," and in "Research and Development" in Part VI of this document. Additionally, the Company's business model of building an installed base of rented Sterilox Systems in its chosen markets requires considerable levels of capital expenditure, much of which is currently funded through the use of third party vendor finance and debt. Increasing its equity capital will enable PuriCore to reduce its reliance on third party vendor finance and debt. The Directors intend to use a portion of the net proceeds from the Placing to provide the Company with the financial strength and flexibility to self fund the rental model to achieve the most effective cost of capital, including the repayment of the Company's line of credit. The remainder of the proceeds will be used for general working capital purposes. Pending commitments on development projects, cash proceeds will be held as term deposits with the Company's bankers.

PART X: DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Directors

Christopher Paul James Wightman, (age 47) – Non-Executive Chairman

Mr Wightman joined the Company in 1998 as a Director and was appointed Chairman of the Board of Directors in August 2002. Mr Wightman is also chairman or director of a number of other UK companies. He previously spent fourteen years in the investment banking industry with Goldman Sachs, Bankers Trust, NatWest and NationsBank. He read law at Nottingham University before joining Arthur Andersen & Co. where he qualified with the Institute of Chartered Accountants.

Gregory Todd Bosch, (age 43) – President and Chief Executive Officer

Mr Bosch joined the Company in November 2004 as the President and Chief Executive Officer. Prior to joining PuriCore, Mr Bosch, held a variety of management and leadership positions with Baxter International during his 19 year tenure. Most recently, he was vice president and general manager of Baxter's BioSurgery division where he led the creation of the business plan and development of the organisation, portfolio and processes and grew the business over five years from $40 million in 1998 to over $220 million in 2004. He led the acquisition of Fusion Medical Inc., a NASDAQ listed company (FSON), for $157 million and partnered with Angiotech and Kuros for other biomaterials. Mr Bosch had international assignments in Austria and Switzerland and he was a board member of Baxter AG, a wholly owned company of Baxter International with over 2,500 employees. Mr Bosch received his BA from Duke University and his MBA from DePaul University.

Keith Alan Goldan CPA, (age 35) – Chief Financial Officer and Treasurer

Mr Goldan joined the Company in October 2004 as the Chief Financial Officer. Mr Goldan brings to PuriCore more than 12 years of experience in business planning and financial management in the life science industry. Prior to joining PuriCore, Mr Goldan was vice president and CFO of Biosyn, Inc., a privately held biotechnology company that was successfully acquired by a publicly traded pharmaceutical company in 2004. He also has worked with ViroPharma Incorporated; Century Capital Associates, a consulting firm specialising in capital strategy for healthcare clients; and with the Health Care & Life Sciences Practice of KPMG LLP. Mr Goldan received BA in Business Management (Finance), *cum laude*, from the Robert H. Smith School of Business at University of Maryland and holds an MBA from the Wharton School of Business.

Bishop Julius Allen, (age 58) – Non-Executive Director

Mr Allen joined the Company in March 2003 as a Non-Executive Director and was appointed acting Chief Operating Officer in October 2003 until November 2004. He was Partner, President and COO of Triad Foods Group, Inc. from 1997 to 2003, the leading private label delicatessen meat company in the US. He previously held Senior Management positions at Schlotzsky's Deli (1994-1997), a publicly-listed international franchise restaurant chain, Safeway Inc from 1992 to 1993, HEB Supermarkets from 1988 to 1991, Tom Thumb Supermarkets and its other food retail groups since the early 1970s. Bishop has a BBA with a concentration in Economics and Finance from the University of Texas, Arlington.

Michael Dimitrios Sapountzoglou, (age 45) – Non-Executive Director

Mr Sapountzoglou joined the Company in 1999 as a Non-Executive Director. Mr Sapountzoglou brings to PuriCore over 19 years' investment and trading experience and is currently the Senior Finance Director of the Angelopoulos group of companies, responsible for the group's corporate finance and global investment activities. Prior to this, from 1991 to 1994, he was a co-founder of Gamma Research, a financial advisory firm focusing on European and Eastern European markets. From 1985 to 1991 he was the Investment Manager for Star Maritime S.A., a private company based in Monte Carlo and part of the Livanos group of companies. Mr Sapountzoglou graduated from Wilfrid Laurier University, Waterloo, Ontario, Canada with an Hons. B.A. in Economics and International Finance.

Joseph William (Bill) Birkett, (age 58) – Non-Executive Director

Mr Birkett joined the Company in 1999 as a Non-Executive Director. Mr Birkett is an independent consultant and investor. His career was in finance and global investment banking before forming and running two independent venture capital firms in the 1980's and 1990's. He is currently Chairman of

Chelford Group plc, an AIM listed supply chain software company, and was a member of the board of directors of Monument Securities Limited, a UK based securities house from 1991 until its successful sale in 2005. Following a BSc in Economics from Sheffield University, he qualified as an FCA with Touche Ross (now Deloitte & Touche).

Senior Management

PuriCore is led by an experienced group of managers in both the UK and US. This team is supported by a dedicated group of employees in sales, marketing, technology, engineering, operations, quality, clinical science and regulatory affairs. The entire PuriCore team has participated in the growth and success of the Company and will continue to contribute to the technological knowledge base and commercial success of the PuriCore Solutions. The following are members of the Senior Management of PuriCore:

Paul James Donnelly, UK Managing Director and President, PuriCore International Ltd

Mr Donnelly joined PuriCore in January 2004 as the UK Managing Director and President of PuriCore Technologies International. Mr Donnelly started his career in sales and marketing for Johnson and Johnson in 1985 and led the Northern European Orthopaedic implant business from 1996 to 1998. Mr Donnelly was the CEO of the Cremascoli Orthopaedic group from 1998 to 2000 and led its successful sale to Wright Medical. He was the Global Marketing Director for Verigen AG the Candover owned German technology firm from 2000 to 2002 which was later sold to Genzyme. Prior to joining PuriCore, he was the European Managing Director for SSL International plc's medical group and was a key member of management team member of who led the successful sale of this division to APAX partners in 2004. He has held a number of senior international business development and operational roles with CR Bard as well as GlaxoSmithKline. Mr Donnelly holds a BA Hons in Marketing from the University of Strathclyde.

Tom Hays Daniel, VP and General Manager, Food Safety and Hospitality

Mr Daniel joined PuriCore in July 2002 as Vice President of Food Safety market. Prior to joining the Company, he spent 19 years in the food retail, hospitality and service sectors. Recent positions held in this sector have been Executive VP and COO of the DSI Corporation, which provides food equipment and merchandising solutions to leading global supermarket chains, and prior to that, President of Bakers Aid, a division of the Hobart Corporation, for 15 years, the leading equipment provider serving food service and retail markets on a worldwide basis. He is a graduate of the University of Alabama at Birmingham with a BS in Business Administration.

David Angelo Correale, VP Marketing and Strategic Business Development

Mr Correale joined PuriCore in June 2005 as VP Marketing and Strategic Business Development. Mr Correale has over 20 years of healthcare industry experience with emphasis on medical devices and oral care markets. He has held management roles in sales, marketing, business and new product development. Mr Correale has led successful private equity fundraisings activities and initiated the merger of Ceramed, LLC a biotech company and Dentsply International. He has also served as the CEO of DirectCrown, dental prosthetics and restoratives products company. Prior to this Mr Correale held senior positions in Cynovad, and Dentsply Implant Division and Midwest Dental Products Corporation, both operating divisions of DENTSPLY International, the worlds' largest dental company. Mr Correale has also had senior positions at Amsco International, Baxter Travenol and American Hospital Supply. He graduated from the University of Hartford with a BS in Business Administration and has served as a board member of Bougainville Development, a vacation resort company.

Raymond Francis Mannion, VP Operations

Mr Mannion joined PuriCore in August 2005 and is responsible for all US and UK Operations. Mr Mannion has more than 25 years of experience in Operations and Product Development, beginning his career in engineering with AMP Inc, part of Tyco International Inc, where he held engineering, supervisory and management positions. For the past sixteen years, Mr Mannion has worked for medical device startup companies two of which, Kensey Nash Corp and Animas Corp. completed successful IPOs on NASDAQ. During his time at Kensey Nash Corp, the company developed and launched the Angio-Seal™, a hemostatic puncture closure device originally marketed by American Home Products. Immediately prior to joining PuriCore, he was president and chief operating officer of Rheologics, Inc, a medical device company focused on blood viscosity and cardiovascular diseases. He received a BS in Industrial Engineering from Rutgers University and an MBA from Shippensburg University.

Mark Nicholas Sampson, PhD, Director, Microbiology

Dr Sampson joined PuriCore in September 2000 and has over 10 years experience as a PhD-level commercial microbiologist, focusing on pathogen research in medical device, pharmaceutical, food, and water treatment applications. He currently manages the global PuriCore microbiology team. Prior to joining PuriCore, Dr Sampson worked for as a Senior Scientist for Warwick International, a UK Specialty Chemicals company specialising in medical device sterilants. Dr Sampson graduated from the University of Aberdeen (UK) with an honours degree in Microbiology. Following this, he completed a joint PhD in Microbiology/Biochemistry from the Universities of Aberdeen and Cambridge studying 'The role of enzymes in biopesticides'.

Walid Georges Abi Aoun, PhD, Director of Process Technology

Dr Abi Aoun joined PuriCore in March 2000 as Senior Chemist and has been involved in the chemical, electric and hydraulic specifications of Sterilox Systems. Dr Abi Aoun is an experienced chemist/ chemical engineer and brings to PuriCore more than 15 years of experience in research and development in chemical systems involved in design and management of pilot and large scale plant systems. Dr Abi Aoun is also involved in the EU Regulatory Affairs programme as well as the US 510(k) submissions. Dr. Abi Aoun has previously worked as Process Engineer at the Water Research Centre and was Technical Director at Lifescience Products Ltd., a company specialising in scale prevention in heat exchangers and in the control of Legionella in commercial buildings. Dr Abi Aoun did his post doctoral research at the Royal Military College of Science, received a BSc in Chemistry from the American University of Beirut and a Diploma, M.SC. and PhD in Chemical Engineering from the University of Wales, Swansea.

CORPORATE GOVERNANCE

The Directors support high standards of corporate governance.

The Combined Code provides that the board of directors of a UK public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Combined Code states that the board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board currently comprises the Chairman (who is non-executive), two executive directors, two non-executive directors and one additional non-executive director who the Company believes to be independent (within the meaning of the Combined Code notwithstanding that such non-executive director holds options as set out in paragraph 10.2 of Part XV "Additional Information."

The Directors have adopted terms of reference for and have an audit committee, a remuneration committee and a nominations committee. The Combined Code requires that all the members of the audit committee and remuneration committee and a majority of the members of the nominations committee should be independent non-executive directors.

The Combined Code also recommends that the Board should appoint one of its independent non-executive directors to be the senior independent director ("SID"). The SID should be available to Shareholders if they have concerns that contact through the normal channels of chairman, chief executive or chief finance officer has failed to resolve or for which such contact is inappropriate.

The audit committee is chaired by William Birkett and its other member is Bishop Allen. It will normally meet not less than twice a year. The audit committee has responsibility for, amongst other things, the planning and review of the Group's annual report and accounts and half-yearly reports and the involvement of the Group's auditors in that process. The committee focuses in particular on compliance with legal requirements, accounting standards and the Listing Rules and on ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The terms of reference of the audit committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the role of the secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the audit committee covered in the terms of reference are: financial reporting, internal controls and risk management systems, whistleblowing, internal audit, external audit, and reporting responsibilities. The terms of reference also set out the authority of the committee to exercise its duties.

The remuneration committee is chaired by Mike Sapountzoglou and its other member is Bishop Allen. It will normally meet not less than twice a year. The remuneration committee has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including Senior Management), the implementation and operation of share incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Executive Directors, including pension rights, contracts of employment and any compensation payments.

The terms of reference of the remuneration committee cover such issues as membership and frequency of meetings, as mentioned above, together with the role of secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the remuneration committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting level of remuneration, contracts of employment, early termination, performance-related pay, pension arrangements, authorising claims for expenses from the chief executive and chairman, reporting and disclosure, and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to exercise its duties.

The nominations committee is chaired by Christopher Wightman and its other members are Bill Birkett, Mike Sapountzoglou and Gregory Bosch. It will meet when appropriate. The nominations committee considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board.

PuriCore is in compliance with the requirements of the Combined Code save in respect of the following:

- the Combined Code requires companies of the Company's size to have on its board at least two independent non-executive directors. At present, Mr William Birkett is the only independent non-executive director of the Company. In addition, the Company does not have a senior independent non-executive director. As such, the Company does not comply with the requirements of the Combined Code with respect to the composition of its remuneration, audit and nomination committees. It is the intention of the Board to appoint one or more additional independent Non-executive Directors as soon as practicable following the Placing and, following such appointments, to review the composition of the various committees so as to comply so far as is reasonable for a company of PuriCore's size, with the Combined Code.

- In relation to the Service agreements for the Executive Directors (more particularly described in paragraph 13 of Part XV – "Additional Information"), the proposed US Service agreements provide for severance compensation and benefits on termination by PuriCore, Inc. without Cause (as defined in the Service Agreements) and in the event of the Executive Director's Disability (in which case benefits from PuriCore, Inc.'s long term disability plan are deducted from the severance compensation described below), and on termination by the Executive Director for Good Reason (as defined in the Service Agreements). Such termination takes place on 90 days' notice.

  Where such termination takes place prior to a Change of Control (as defined in the Service Agreements) the Executive Directors are entitled to:

  (i) severance compensation of 100 *per cent* of one year's salary from the Company and PuriCore, Inc., payable by monthly installments over a 12 month period, together with

  (ii) a monthly cash payment equal to the (grossed up) monthly cost to the Executive Director of continuing medical, hospitalisation and dental benefits under Sterilox's plan (less the employee's cost) for 12 months post termination, and

  (iii) all stock options granted to the Executive Director that would have vested during the period of 12 months post termination vest as at the date of termination and remain exercisable for the remainder of the option term.

  Where such termination takes place within 12 month of a Change of Control, the Executive Directors are entitled to severance compensation of 150 *per cent* of one year's salary from the Company and PuriCore, Inc. is payable by monthly installments over a 12 month period together with the other elements described above (including accelerated vesting of options).

  Provision is also made for grossing up such severance compensation to take account of "golden parachute" excise taxes and any taxes incurred by the Executive Directors in respect of the gross up payment.

All severance arrangements described above are conditional upon the Executive Director executing a worldwide release in favour of the Group.

- In relation to grants of share options, the Combined Code stipulates that shares so granted should not vest, and options should not be exercisable, in less than three years. The remuneration committee expects to grant options subject to accelerated vesting and may select such vesting schedule as it regards as appropriate at the time of grant of the relevant option.
- To the extent that any director is awarded share options, the Combined Code requires that any shares acquired by such director on the exercise of any such option should be held until at least one year after the non-executive director leaves the board. Currently the options granted by the Company do not contain such a requirement.

PART XI: FINANCIAL INFORMATION

A. ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION FOR PURICORE PLC FOR THE PERIOD ENDED AND AS OF 28 APRIL 2006 PREPARED UNDER IFRS

KPMG LLP
Transaction Services
St James' Square
Manchester M2 6DS
United Kingdom

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Fax + 44 (0) 161 246 4040
DX 724620 Manchester 42

The Directors
PuriCore plc
Wolseley House
Staffordshire Technology Park
Beaconside
Stafford ST18 0AG

27 June 2006

Dear Sirs

PuriCore PLC

We report on the financial information set out on pages 68 to 70. This financial information has been prepared for inclusion in the prospectus dated 27 June 2006 of PuriCore plc on the basis of the accounting policies set out in the notes to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

RESPONSIBILITIES

The Directors of PuriCore plc are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards ('IFRS') in compliance with Regulation EC 1606/2002.

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

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

In our opinion, the financial information gives, for the purposes of the prospectus dated 27 June 2006, a true and fair view of the state of affairs of PuriCore plc as at the dates stated and of its profits/losses and statement of changes in equity for the period then ended in accordance with the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards ('IFRS') in compliance with Regulation EC 1606/2002 as described in the notes the financial information.

DECLARATION

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus 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 prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PuriCore PLC
BALANCE SHEET
At 28 April 2006

	Note	2006 $
ASSETS		
CURRENT ASSETS		
Trade and Other receivables	1	**89,355**
TOTAL ASSETS		**89,355**
EQUITY		
Share capital	2	**89,355**
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		**89,355**
TOTAL EQUITY		**89,355**

PROFIT AND LOSS ACCOUNT
For the 7 day period ended 28 April 2006

During the current financial period PuriCore Plc did not trade and received no income and incurred no expenditure. Consequently during this period PuriCore Plc made neither a profit nor a loss.

STATEMENT OF CHANGES IN EQUITY
For the 7 day period ended 28 April 2006

Ordinary shares of £1 each ($1.787 each)	*Share capital $*
At beginning of period	—
Share issue on incorporation	89,355
At end of period	89,355

ACCOUNTING POLICIES

BASIS OF PREPARATION

PuriCore plc is incorporated in the United Kingdom.

The PuriCore plc financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") in compliance with Regulation EC 1606/2002 and under the first time adoption provisions of IFRS 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to PuriCore plc's first accounting period in these financial statements.

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis and presented in US$.

REDEEMABLE SHARES

Redeemable share capital is classified as equity if it is redeemable only at the option of PuriCore plc.

ADOPTED IFRS NOT YET APPLIED

The following adopted IFRSs were available but have not been applied by PuriCore plc in these financial statements:

- IAS 1 (Amendment): 'Presentation of financial statements' – effective for annual periods beginning on or after 1 January 2007.
- IAS 21 (Amendment): 'The effects of changes in foreign exchange rates' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 4: 'Determining whether an arrangement contains a lease' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 5: 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds incorporating an amendment to IAS 39 Financial Instruments: recognition and Measurement' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 6: 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment' – effective for annual periods beginning on or after 1 December 2005.
- IFRIC 8: 'Scope of IFRS 2' – effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9: 'Reassessment of embedded derivatives' – effective for annual periods beginning on or after 1 June 2006.

The Directors of PuriCore do not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption.

NOTES TO THE FINANCIAL STATEMENTS
For the 7 day period ended 28 April 2006

1 TRADE AND OTHER RECEIVABLES

	2006 $
Other receivables	89,355

2 SHARE CAPITAL

	2006 $
Authorised, allotted and issued	
2 ordinary shares of £1 each ($1.787 each)	4
49,998 redeemable ordinary shares of £1 each ($1.787 each)	89,351
	89,355

PuriCore Plc was incorporated with an authorised share capital of 50,000 ordinary shares of £1 each. Two ordinary shares were issued to the subscribers and transferred to Keith Goldan and Gregory Bosch.

49,998 redeemable share of £1 each were issued at par value to Gregory Bosch. A written undertaking has been received from Gregory Bosch to pay the subscription monies. These shares are subject to redemption at the option of PuriCore Plc and will be redeemed at par value on the date of Admission.

3 RELATED PARTY DISCLOSURES

PuriCore Plc has a related party relationship with its shareholders, directors and executive officers.

4 POST BALANCE SHEET EVENTS

Pursuant to a Merger Agreement dated 16 May 2006, PuriCore Plc, purchased the entire issued share capital of Sterilox Technologies, Inc. from its shareholders in consideration for the issue by PuriCore Plc of Ordinary Shares credited as fully paid.

B. ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION FOR STERILOX TECHNOLOGIES, INC. FOR THE YEARS ENDED AND AS OF 31 DECEMBER 2004 AND 2005 PREPARED UNDER IFRS

KPMG LLP
Transaction Services
St James' Square
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United Kingdom

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DX 724620 Manchester 42

The Directors
PuriCore plc
Wolseley House
Staffordshire Technology Park
Beaconside
Stafford ST18 0AG
UK

27 June 2006

Dear Sirs

Sterilox Technologies, Inc.

We report on the financial information set out on pages 72 to 108. This financial information has been prepared for inclusion in the prospectus dated 27 June 2006 of PuriCore plc on the basis of the accounting policies set out in the notes to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Sterilox Technologies, Inc. are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards ('IFRS') in compliance with Regulation EC 1606/2002.

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

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

In our opinion, the financial information gives, for the purposes of the prospectus dated 27 June 2006, a true and fair view of the state of affairs of Sterilox Technologies, Inc. as at the dates stated and of its profits/losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in the notes to the financial statements and in accordance with International Financial Reporting Standards ('IFRS') in compliance with Regulation EC 1606/2002 as described in the notes to the financial information.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus 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 prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

STERILOX TECHNOLOGIES, INC.

CONSOLIDATED INCOME STATEMENTS
For the years ended 31 December

	Note	*2004* *$*	*2005* *$*
CONTINUING OPERATIONS			
REVENUE	1	11,285,422	12,835,954
Cost of sales		(7,750,128)	(8,961,594)
GROSS PROFIT		3,535,294	3,874,360
Selling, general and administrative expenses	3	(13,231,700)	(14,035,941)
Research and development		(2,356,884)	(1,646,277)
Gain on disposal of property, plant and equipment		1,179,839	—
EARNINGS BEFORE INTEREST AND TAX	4	(10,873,451)	(11,807,858)
Finance costs	7	(3,480,740)	(1,227,546)
Finance income	8	67	119,489
LOSS BEFORE TAX	1-8	(14,354,124)	(12,915,915)
Income tax expense	9	—	—
LOSS FOR THE YEAR		(14,354,124)	(12,915,915)
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		(14,354,124)	(12,915,915)
		$/share	*$/share*
EARNINGS PER SHARE			
Continuing operations			
Basic	10	(0.26)	(0.14)
Diluted	10	(0.26)	(0.14)

STERILOX TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
For the years ended 31 December

	2004 *$*	*2005* *$*
Exchange differences on translation of foreign operations	154,323	(130,152)
NET INCOME RECOGNISED IN EQUITY	154,323	(130,152)
Loss for the year	(14,354,124)	(12,915,915)
TOTAL RECOGNISED INCOME AND EXPENSE	(14,199,801)	(13,046,067)
TOTAL RECOGNISED INCOME AND EXPENSE IS ATTRIBUTABLE TO:		
Equity holders of the parent	(14,199,801)	(13,046,067)

STERILOX TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS
At 31 December

	Note	2004 $	2005 $
ASSETS			
NON CURRENT ASSETS			
Intangible assets	11	4,139,035	4,534,245
Property, plant and equipment	12	1,958,336	3,649,412
Other loans receivable	16	—	783,073
Other receivables	15	521,008	202,270
TOTAL NON CURRENT ASSETS		6,618,379	9,169,000
CURRENT ASSETS			
Inventories	14	3,359,681	3,731,050
Trade and other receivables	15	1,758,427	2,882,226
Other loans receivable	16	2,300,000	1,775,226
Cash and cash equivalents	18	—	952,842
TOTAL CURRENT ASSETS		7,418,108	9,341,344
TOTAL ASSETS		14,036,487	18,510,344
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	(8,440,945)	(6,675,808)
Financial liabilities	20	(2,750,838)	(2,362,641)
TOTAL CURRENT LIABILITIES		(11,191,783)	(9,038,449)
NON CURRENT LIABILITIES			
Financial liabilities	20	(13,061,702)	(2,881,046)
Provisions	23	(151,672)	(25,752)
TOTAL NON CURRENT LIABILITIES		(13,213,374)	(2,906,798)
TOTAL LIABILITIES		(24,405,157)	(11,945,247)
NET (LIABILITIES)/ASSETS		(10,368,670)	6,565,097
EQUITY			
Share capital	24	46,424	99,494
Share premium	25	64,322,737	93,283,890
Other reserves	25	1,843,224	2,808,835
Retained earnings	25	(76,735,378)	(89,651,293)
Cumulative translation adjustment	25	154,323	24,171
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		(10,368,670)	6,565,097
TOTAL EQUITY		(10,368,670)	6,565,097

STERILOX TECHNOLOGIES, INC.

CONSOLIDATED CASH FLOW STATEMENTS
For the years ended 31 December

	Note	2004 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(14,354,124)	(12,915,915)
Adjustments for:			
Finance costs		3,480,740	1,227,546
Finance income		(67)	(119,489)
Depreciation and amortisation		1,057,230	1,328,421
Amortisation of warrant and debt discount and issuance costs		1,289,427	52,634
Share based payment expense		168,138	1,333,380
Gain on disposal of property, plant and equipment		(1,179,839)	942,753
OPERATING LOSS BEFORE MOVEMENT IN WORKING CAPITAL		(9,538,495)	(8,150,670)
Increase in inventories		(664,178)	(102,411)
Decrease in trade and other receivables		596,685	(983,625)
Increase/(decrease) in trade and other payables		737,645	(4,963,720)
Increase/(decrease) in provisions		143,153	(142,618)
CASH GENERATED BY OPERATIONS		(8,725,190)	(14,343,044)
Income tax paid		—	—
NET CASH FLOW FROM OPERATING ACTIVITIES		(8,725,190)	(14,343,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,101,175)	(2,932,040)
Proceeds from sale of property, plant and equipment		1,694,507	335,987
Purchase of intangible assets		(15,887)	(1,651)
Cash paid for internally generated intangibles		(456,672)	(905,506)
NET CASH FLOW FROM INVESTING ACTIVITIES		120,773	(3,503,210)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares, options and warrants		5,409,996	29,019,407
Proceeds from new loans		1,867,505	5,896,050
Repayments of borrowings		(290,000)	(15,847,161)
Repayments of obligations under finance leases	28	(6,189)	(30,356)
Interest received		—	119,489
NET CASH FLOW FROM FINANCING ACTIVITIES		6,981,312	19,157,429
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,623,105)	1,311,175
Cash and cash equivalents at beginning of year		1,629,734	—
Effect of foreign exchange rate changes on cash held		(6,629)	(358,333)
CASH AND CASH EQUIVALENTS AT END OF YEAR		—	952,842

STERILOX TECHNOLOGIES, INC.

ACCOUNTING POLICIES

BASIS OF PREPARATION

Sterilox Technologies, Inc. is incorporated under the laws of Delaware in the USA. With effect from 24 May 2006, Sterilox Technologies, Inc. changed its name to PuriCore, Inc.

The group financial statements consolidate those of Sterilox Technologies, Inc. and its subsidiaries (together referred to as the "Sterilox Group").

The Sterilox Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and in compliance with Regulation EC 1606/2002.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

Going concern assumption

The financial information has been presented on a going concern basis which assumes that the Sterilox Group will continue to have sufficient resources available to meet liabilities as they fall due. This is dependent upon the Company accessing sufficient additional funds. The net proceeds of the Placing (by way of issue of new Ordinary Shares in PuriCore plc, PuriCore's, Inc. parent company), which is fully underwritten, will provide such additional funds. These are significant facts in enabling the Sterilox Group to continue as a going concern

The Directors believe there is sufficient certainty in the transactions detailed above for the financial statements to be drawn up on a going concern basis.

TRANSITION TO ADOPTED IFRSs

The Sterilox Group are preparing their financial statements in accordance with Adopted IFRSs for the first time and consequently have applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Sterilox Group is provided in note 33.

IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period. The following exemptions have been taken in these financial statements.

- Business combinations – Business combinations that took place prior to 1 January 2004 have not been restated.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at 1 January 2004.

The Sterilox Group has chosen to adopt IFRS 7 'Financial instruments: Disclosure' in these financial statements. IFRS 7 is mandatory for accounting periods commencing on or after 1 January 2007 but early adoption is encouraged. IFRS 7 replaces the disclosure requirements of IAS 32.

The Sterilox Group has adopted IFRS 2 'Share based payments' for share options granted after 7 November 2002 which had not vested at 1 January 2004.

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except that certain financial instruments are stated at their fair value. Non current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Sterilox Technologies, Inc. and subsidiaries controlled by the Sterilox Group made up to 31 December each year. Subsidiaries are entities controlled by the Sterilox Group. Control exists when the Sterilox Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

REVENUE

Revenue is recognised by the Sterilox Group when the risks and rewards associated with the transaction have been transferred to the purchaser which is demonstrated when all the following conditions are met: evidence of a binding arrangement exists (generally, purchase orders), products have been delivered or services have been rendered, there is no future performance required and amounts are collectable under normal payment terms. Revenue represents the net amounts charged or chargeable in respect of services rendered and goods supplied, excluding intercompany sales, value added tax and other sales taxes. Revenue is recognised net of any discounts given to the customer.

Revenue includes the capital received on the sale of inventories and rental machines subsequently sold, leasing income received on short term operating lease arrangements and service income. The revenue on these various income streams is recognised in line with the above policy.

LEASED ASSETS – RECEIVABLE

Receipts under operating leases are recognised in revenue on a straight-line basis over the term of the lease. The cost of lease incentives given, if any, are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. These assets are held on the balance sheet of the Sterilox Group in property, plant and equipment and amortised over three to five years.

FOREIGN CURRENCIES

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal.

The Sterilox Group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS (1 January 2004).

The presentational currency adopted by the Sterilox Group is the US Dollar ($). The functional currencies of the principal companies in the Sterilox Group are as follows:

Sterilox Technologies, Inc.	–	US Dollar ($)
Sterilox Technologies International Limited	–	Sterling (£)
Sterilox Medical (Europe) Limited	–	Sterling (£)

FINANCIAL INSTRUMENTS

Classification of financial instruments issued by the Sterilox Group

Following the adoption of IAS 39 and IFRS 7, financial instruments issued by the Sterilox Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon Sterilox Technologies, Inc. (or Sterilox Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to Sterilox Technologies, Inc. (or Sterilox Group); and

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

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

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Recognition and valuation of financial instruments

Financial assets or liabilities are recognised when, and only when Sterilox Technologies, Inc. becomes a party to the contractual provisions of the instrument.

Borrowings are measured at their amortised cost unless they are matched by an associated effective hedging financial instrument in which case they are stated at their fair value.

Cash and cash equivalents comprise cash on hand and demand deposits and overdrafts together with highly liquid investments of less than three months maturity. Unless an enforceable right of set-off exists, the components of cash and cash equivalents are reflected on a gross basis in the balance sheet.

The carrying value of other financial assets and liabilities, including short-term receivables and payables, are stated at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material.

Compound financial instruments contain both an equity component and a liability component. Where these instruments exist, the equity component has been split out of the financial instrument and disclosed separately.

EMPLOYEE BENEFITS

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share based payment transactions

The share option programme allows employees to acquire shares of Sterilox Technologies, Inc. to be settled in equity. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period

during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

FINANCE COSTS

Net financing costs comprise interest payable, net foreign exchange losses and finance charges on finance leases. Interest payable is recognised in the income statement as it accrues, using the effective interest method.

FINANCE INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

INTANGIBLE ASSETS

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost less any provision for impairment.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

RESEARCH AND DEVELOPMENT COSTS

Expenditure on development and improvement of new and existing products that do not meet the recognition criteria of an intangible asset are expensed as incurred. Research costs are expensed as incurred.

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight line basis over the product's life up to a maximum of four years, starting from the date on which production commences. Development costs are capitalised as intangible assets unless physical assets, such as tooling, exist when they are classified as property, plant and equipment.

COMPUTER SOFTWARE COSTS

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Amortisation is provided on a straight line basis over its economic useful life, which is in the range of three to five years.

ACQUIRED INTANGIBLE ASSETS – BUSINESS COMBINATIONS

Intangible assets that are acquired as a result of a business combination including but not limited to customer contracts, order backlog, intellectual property rights, such as patents and know-how, and that can be separately measured at fair value on a reliable basis, are separately recognised on acquisition at their fair value. Amortisation is charged on a straight line basis to the income statement over their expected useful lives as follows:

- Intellectual property 10 – 20 years

GOODWILL – BUSINESS COMBINATIONS

Goodwill arising on consolidation consists of the excess of the fair value of the consideration over the fair value of the identifiable intangible and tangible assets net of the fair value of the liabilities including contingencies of businesses acquired at the date of acquisition. Goodwill in respect of business combinations of subsidiaries is recognised as an intangible asset.

Where negative goodwill arises, following re-assessment of fair values, it is credited to the income statement in the period in which the acquisition is made.

Goodwill is carried at cost less any recognised impairment losses that arise from annual assessment of its carrying value. To the extent that the carrying value exceeds the value in use, determined from estimated discounted future net cash flows or recoverable amount, goodwill is written down to the value in use and an impairment charge is recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Residual values and useful economic lives of assets are assessed at each year-end. Depreciation is not charged to the income statement once the asset's carrying value equals its estimated residual value. The estimated useful lives are as follows:

- Leasehold improvements – over the period of the lease
- Plant and machinery – 3 to 5 years
- Office equipment – 4 years
- Fixtures and fittings – 5 years
- Computer equipment – 3 years
- Laboratory equipment – 4 years

LEASED ASSETS

Operating lease payments

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

Finance lease payments

Where fixed assets are financed by leasing arrangements which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitment is shown as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital which reduces the outstanding obligation.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

IMPAIRMENT

The carrying amounts of the Sterilox Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying

amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 January 2004, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit and loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Sterilox Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

TAXATION AND DEFERRED TAXATION

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

PROVISIONS

Provisions are recognised when the Sterilox Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation.

ADOPTED IFRS NOT YET APPLIED

The following adopted IFRSs were available but have not been applied by the Sterilox Group in these financial statements:

- IAS 1 (Amendment): 'Presentation of financial statements' – effective for annual periods beginning on or after 1 January 2007.
- IAS 21 (Amendment): 'The effects of changes in foreign exchange rates' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 4: 'Determining whether an arrangement contains a lease' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 5: 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds incorporating an amendment to IAS 39 Financial Instruments: recognition and Measurement' – effective for annual periods beginning on or after 1 January 2006.
- IFRIC 6: 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment' – effective for annual periods beginning on or after 1 December 2005.
- IFRIC 8: 'Scope of IFRS 2' – effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9: 'Reassessment of embedded derivatives' – effective for annual periods beginning on or after 1 June 2006.

The Sterilox Group does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption.

STERILOX TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended 31 December

1 REVENUE

An analysis of the Sterilox Group's revenue is as follows:

	2004 $	*2005 $*
Continuing operations:		
Sale of inventories and ex-rental machines subsequently sold	7,435,726	9,579,274
Equipment leasing income	2,281,541	1,249,930
Servicing of machines	1,568,155	2,006,750
	11,285,422	12,835,954

2 SEGMENTAL ANALYSIS

The Sterilox Group is managed by type of business. Segmental information is provided having regard to the nature of the goods and services provided and the markets served.

Primary reporting format – Business Segments

For the year ended 31 December 2004	*Endoscopy $*	*Food $*	*Dental $*	*Corporate & unallocated $*	*Total as reported for the Sterilox Group $*
REVENUE	9,905,762	577,896	801,764	—	11,285,422
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	(619,541)	(1,540,248)	(1,275,462)	(6,380,970)	(9,816,221)
Depreciation and amortisation	(563,551)	(16,750)	(23,132)	(453,797)	(1,057,230)
EARNINGS BEFORE INTEREST AND TAX	(1,183,092)	(1,556,998)	(1,298,594)	(6,834,767)	(10,873,451)
SEGMENT ASSETS					
Non current assets	685,174	—	—	5,933,205	6,618,379
Current assets	1,469,504	80,302	127,207	5,741,095	7,418,108
Total assets	2,154,678	80,302	127,207	11,674,300	14,036,487
SEGMENT LIABILITIES					
Current liabilities	(2,945,173)	(187,886)	(43,694)	(8,015,030)	(11,191,783)
Non current liabilities	—	—	—	(13,213,374)	(13,213,374)
Total liabilities	(2,945,173)	(187,886)	(43,694)	(21,228,404)	(24,405,157)
OTHER SEGMENT ITEMS					
Capital expenditure: property, plant & equipment	740,778	51,780	8,784	299,833	1,101,175

All business segments shown above are continuing.

For the year ended 31 December 2005	*Endoscopy* $	*Food* $	*Dental* $	*Corporate & unallocated* $	*Total as reported for the Sterilox Group* $
REVENUE	10,994,419	832,032	1,009,503	—	12,835,954
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	(2,722,775)	(2,486,385)	(259,749)	(5,010,528)	(10,479,437)
Depreciation and amortisation	(543,525)	(108,748)	(132,914)	(543,234)	(1,328,421)
EARNINGS BEFORE INTEREST AND TAX	(3,266,300)	(2,595,133)	(392,663)	(5,553,762)	(11,807,858)
SEGMENT ASSETS					
Non current assets	605,211	—	—	8,563,789	9,169,000
Current assets	673,521	131,731	112,601	8,423,491	9,341,344
Total assets	1,278,732	131,731	112,601	16,987,280	18,510,344
SEGMENT LIABILITIES					
Current liabilities	(3,415,930)	(330,517)	(108,192)	(5,183,810)	(9,038,449)
Non current liabilities	—	—	—	(2,906,798)	(2,906,798)
Total liabilities	(3,415,930)	(330,517)	(108,192)	(8,090,608)	(11,945,247)
OTHER SEGMENT ITEMS					
Capital expenditure: property, plant & equipment	398,612	2,360,310	7,296	165,822	2,932,040

All business segments shown above are continuing.

Intra-group sales, which are priced on an 'arms length' basis, between both segments and regions are not significant. The analysis of EBIT by business include an allocation, based on their nature, of costs incurred centrally in the UK and US. Unallocated costs represent corporate expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Secondary reporting format – Geographical Segments

	Sales		*Segment assets*		*Capital expenditure*	
	2004 $	*2005* $	*2004* $	*2005* $	*2004* $	*2005* $
Continuing operations						
United Kingdom	10,015,571	10,960,298	7,070,527	6,161,304	970,644	541,650
Americas	1,269,851	1,875,656	6,965,960	12,349,040	130,531	2,390,390
	11,285,422	12,835,954	14,036,487	18,510,344	1,101,175	2,932,040

The sales analysis in the above table is based on the location of the assets.

3 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The analysis of selling, general and administrative expenses is as follows:

	2004 *$*	*2005* *$*
Engineering expenses	428,452	479,093
Staff costs	6,665,476	8,330,113
Establishment costs	731,142	808,310
Selling and distribution costs	941,137	1,725,626
Other indirect expenses	4,465,493	2,692,799
	13,231,700	14,035,941

4 EARNINGS BEFORE INTEREST AND TAX

	2004 *$*	*2005* *$*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(9,816,221)	(10,479,437)
Depreciation and amortisation	(1,057,230)	(1,328,421)
Earnings before interest and tax (EBIT)	(10,873,451)	(11,807,858)

5 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2004 *$*	*2005* *$*
Cost of inventories recognised as an expense	4,684,223	5,037,403
Inventories written down	229,177	—
Auditors' remuneration for audit services	135,634	339,708
Auditors' remuneration		
Audit services		
- Statutory audit – Group auditor	60,000	110,072
- Statutory audit – Subsidiary auditor	26,286	72,858
Tax services		
- Compliance services	46,050	71,345
- Advisory services	3,297	59,982
Other services	—	25,451
	135,633	339,708

6 STAFF COSTS

The average number of persons employed by the Sterilox Group (including directors) during the year, analysed by category, was as follows:

	2004 *Number*	*2005* *Number*
Research and development	14	10
Sales and marketing	19	24
Engineers	20	30
Head office and administration	29	23
	82	87

The aggregate payroll costs of these persons were as follows:

	2004 $	*2005 $*
Wages and salaries	7,163,500	8,841,033
Social security costs	537,158	680,204
Other pension costs	171,119	225,721
	7,871,777	9,746,958

Key management

The key management of the Sterilox Group comprises the directors of Sterilox Technologies, Inc. together with senior members of the management team. Their aggregate compensation is shown below:

	2004 $	*2005 $*
Key management compensation		
Salaries and short term employee benefits	1,308,195	1,323,494
Post employment benefits	23,155	28,388
Termination benefits	403,846	—
Share based payment	44,580	7,080
	1,779,776	1,358,962

Directors' remuneration

	2004 $	*2005 $*
Emoluments	859,246	918,478
Compensation for loss of office	403,846	—
Money purchase pension contributions	1,558	6,300
Total emoluments	1,264,650	924,778

Directors' emoluments disclosed above include the following payments:

	Highest paid director	
	2004 $	*2005 $*
Emoluments	447,182	419,570
Compensation for loss of office	403,846	—
Money purchase pension contributions	—	6,300
Total emoluments	851,028	425,870

The number of directors to whom retirement benefits are accruing under:

	2004 Number	*2005 Number*
Money purchase pension schemes	1	1

7 FINANCE COSTS

	2004 $	*2005 $*
Interest on bank loans	133,547	34,789
Interest on other loans	2,869,849	576,621
Interest on insurance and franchise taxes	5,660	442
Interest on finance leases	1,642	6,975
Debt issue costs	285,523	52,634
Net foreign exchange loss	184,519	556,085
	3,480,740	1,227,546

8 FINANCE INCOME

	2004 *$*	*2005* *$*
Interest on cash balances	67	119,489

9 INCOME TAX EXPENSE

	2004 *$*	*2005* *$*
Recognised in the income statement:		
Current tax:		
Current year	—	—
Total current tax	—	—
Deferred tax:		
Origination and reversal of temporary differences	—	—
Total deferred tax	—	
Total tax in the income statement	—	—

Reconciliation of effective tax rate	*2004* *$*	*2005* *$*
Loss before tax	(14,354,124)	(12,915,915)
Tax using the UK corporation tax rate of 30 *per cent* (2004: 30 *per cent*)	(4,306,237)	(3,874,775)
Non deductible expenses	16,940	(12,467)
Deferred tax asset on current year losses not recognised	4,797,323	4,289,196
Difference in overseas tax rate	(508,026)	(401,954)
Total tax in the income statement	—	—

10 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	*2004* *$*	*2005* *$*
Earnings for the purpose of basic earnings per share	(14,354,124)	(12,915,915)
Effect of dilutive potential ordinary shares:		
– Interest expense on 14 *per cent* loan notes	3,049,718	—
Earnings for the purpose of diluted earnings per share	(11,304,406)	(12,915,915)

Number of shares	*2004* *Number*	*2005* *Number*
Weighted average number of ordinary shares for the purpose of basic earnings per share	55,823,217	94,334,816
Effect of dilutive potential ordinary shares		
– Outstanding options	149,850	1,311,200
– Outstanding warrants	1,370	693,252
– Convertible loan notes	3,779,421	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	59,753,858	96,339,268

Not included in the above table are the following instruments as they are anti-dilutive:

- Share options – 16,468,617 (2004: 7,381,767)
- Warrants – 896,210 (2004: 980,766)

These may become dilutive in later periods. Refer to notes 22 and 24 for disclosure on exercise dates.

Earnings per share	*2004 $/share*	*2005 $/share*
From continuing operations:		
Basic	(0.26)	(0.14)
Diluted	(0.26)	(0.14)

11 INTANGIBLE ASSETS

	2004				*2005*			
	Goodwill $	*Intellectual property $*	*Develop-ment costs & software $*	*Total $*	*Goodwill $*	*Intellectual property $*	*Develop-ment costs & software $*	*Total $*
Cost								
At beginning of year	4,673,228	5,162,475	123,796	9,959,499	4,673,228	5,162,475	596,356	10,432,059
Acquisitions – internally developed	—	—	472,561	472,561	—	—	905,506	905,506
Acquisitions – externally purchased	—	—	15,887	15,887	—	—	1,651	1,651
Effect of movements in foreign exchange	—	—	(15,888)	(15,888)	—	—	(32,177)	(32,177)
At end of year	4,673,228	5,162,475	596,356	10,432,059	4,673,228	5,162,475	1,471,336	11,307,039
Amortisation and impairment								
At beginning of year	3,544,683	1,994,699	—	5,539,382	3,988,054	2,304,970	—	6,293,024
Amortisation for the year	—	310,271	—	310,271	—	310,271	109,653	419,924
Impairment loss	443,371	—	—	443,371	79,963	—	—	79,963
Effect of movements in foreign exchange	—	—	—	—	—	—	(20,117)	(20,117)
At end of year	3,988,054	2,304,970	—	6,293,024	4,068,017	2,615,241	89,536	6,772,794
Net book value								
At end of year	685,174	2,857,505	596,356	4,139,035	605,211	2,547,234	1,381,800	4,534,245
At beginning of year	1,128,545	3,167,776	123,796	4,420,117	685,174	2,857,505	596,356	4,139,035

Intangible assets not recognised

Internally generated brands are not recognised.

Goodwill Impairment

Goodwill acquired in a business combination is allocated to the cash generating units that are expected to benefit from that business combination. The carrying value of goodwill has been allocated to the following cash generating units:

	2004 $	*2005 $*
Endoscopy segment	685,174	605,211

Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. To the extent that the carrying value exceeds the value in use, determined from estimated discounted future net cash flows or recoverable amount, goodwill is written down to the value in use and an impairment charge is recognised.

During the year, goodwill was tested for impairment in accordance with IAS 36 'Impairment of assets'. The recoverable amounts for each cash generating unit exceeded the carrying amount of goodwill recorded. The recoverable amount for the cash generating unit has been measured on a value in use calculation.

The key assumptions for the value in use calculations, performed for a five year period, are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the period. A pre-tax discount rate of 10 *per cent* was used in the value in use calculation. In determining the value in use, cashflows have not been increased to reflect potential growth over the next five years. Changes in selling price and direct costs are based on management's expectations of future changes in the market. The assumptions, used in these calculations, have historically proved to be materially accurate.

Intellectual property

The Sterilox Group owns intellectual property related to a portfolio of branded systems which produce hypochlorous acid solutions from water, electricity and common salt. These systems generate the solutions at a range of concentrations and at nearly neutral pH. The Sterilox Group has 16 granted patents and has a further 24 pending applications which are currently outstanding in various jurisdictions. The patents and pending applications relate to 13 different inventions.

12 PROPERTY, PLANT AND EQUIPMENT

	2004				*2005*			
	Leasehold improvements $	*Furniture & fixtures $*	*Machinery & equipment $*	*Total $*	*Leasehold improvements $*	*Furniture & fixtures $*	*Machinery & equipment $*	*Total $*
Cost								
At beginning of year	157,138	729,442	3,549,937	4,436,517	256,934	837,852	3,444,620	4,539,406
Acquisitions	231,754	157,644	711,777	1,101,175	147,970	239,592	2,544,478	2,932,040
Disposals	(131,502)	(2,110)	(916,427)	(1,050,039)	(40,108)	(232,658)	(576,199)	(848,965)
Effect of movements in foreign exchange	(456)	(47,124)	99,333	51,753	(24,318)	(36,393)	(349,107)	(409,818)
At end of year	256,934	837,852	3,444,620	4,539,406	340,478	808,393	5,063,792	6,212,663
Accumulated depreciation & impairment								
At beginning of year	112,038	527,197	1,746,927	2,386,162	15,736	563,139	2,002,195	2,581,070
Depreciation charge for the year	22,848	83,353	640,758	746,959	73,192	82,062	753,243	908,497
Disposals	(117,542)	—	(417,828)	(535,370)	—	(233,328)	(438,879)	(672,207)
Effects of movement in foreign exchange	(1,608)	(47,411)	32,338	(16,681)	(4,790)	(36,435)	(212,884)	(254,109)
At end of year	15,736	563,139	2,002,195	2,581,070	84,138	375,438	2,103,675	2,563,251
Net book value								
At end of year	241,198	274,713	1,442,425	1,958,336	256,340	432,955	2,960,117	3,649,412
At beginning of year	45,100	202,245	1,803,010	2,050,355	241,198	274,713	1,442,425	1,958,336

Leased plant and machinery

At 31 December 2005 the net carrying amount of leased machinery and equipment was $159,276 (2004: $10,000). The leased equipment secures lease obligations.

13 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

No deferred tax assets or liabilities have been recognised in the year (2004: $nil).

Un-provided deferred tax assets and liabilities

Un-provided deferred tax assets and liabilities are attributable to the following:

	Assets		*Liabilities*		*Net*	
	2004 $	*2005 $*	*2004 $*	*2005 $*	*2004 $*	*2005 $*
Property, plant and equipment	(417,026)	(547,378)	—	—	(417,026)	(547,378)
Tax losses – UK	(6,417,028)	(6,073,060)	—	—	(6,417,028)	(6,073,060)
Tax losses – US	(11,559,502)	(15,278,780)	—	—	(11,559,502)	(15,278,780)
Other timing differences	(467,017)	(432,159)	140,850	235,071	(326,167)	(197,088)
Net tax (assets)/ liabilities	(18,860,573)	(22,331,377)	140,850	235,071	(18,719,723)	(22,096,306)

Net deferred tax assets have not been recognised as their realisation is currently uncertain.

The US tax losses will begin to expire in 2011 if unused.

During the year $79,963 (2004: $443,371) benefit has arisen from previously unrecognised tax losses used to reduce the current tax expense.

14 INVENTORIES

	2004 $	*2005 $*
Raw materials	731,029	347,004
Supplies and parts	406,198	889,349
Finished goods	2,222,454	2,494,697
	3,359,681	3,731,050

Included above are finished goods of $1,027 (2004: $32,544) carried at net realisable value. All raw materials and supplies and parts are carried at cost. Inventories of $nil (2004: $428,870) were written down in the year.

All inventories held at the year end are expected to be realised within one year.

15 TRADE AND OTHER RECEIVABLES

	2004 $	*2005 $*
Amounts falling due within one year:		
Trade receivables	1,706,105	1,872,163
Less: provision for impairment of receivables	(41,594)	(155,154)
	1,664,511	1,717,009
Other receivables	15,736	17,510
Prepayments and accrued income	78,180	1,147,707
	1,758,427	2,882,226

	2004 $	*2005 $*
Amounts falling due in more than one year:		
Other receivables		
Prepayments and accrued income	521,008	202,270

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The age profile of the net trade receivables at the year-end is as follows:

2004		*Debt age – "days overdue"*					
	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91-120 days*	*Over 120 days*	*Total*
Trade receivables							
Value	600,531	290,158	233,496	143,217	95,483	301,626	1,664,511
Per cent	36	17	14	9	6	18	100

2005		*Debt age – "days overdue"*					
	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91-120 days*	*Over 120 days*	*Total*
Trade receivables							
Value	722,441	108,969	190,971	373,413	45,495	275,720	1,717,009
Per cent	42	6	11	22	3	16	100

16 OTHER LOANS RECEIVABLE

	2004 $	*2005 $*
Amounts falling due within one year:		
Bank loan	2,300,000	1,525,226
Other receivables	—	250,000
	2,300,000	1,775,226
Amounts falling due in more than one year:		
Other receivables	—	783,073

The bank loans receivable relate to contractual loan agreements signed in December each year. The funds were received in January the following year.

Other receivables relate to a Holdback agreement on the promissory 7.5 *per cent* notes of $2,063,872 and $2,131,341. The terms of the Holdback agreement are such that $1,033,073 is held in a separate account, with the funds being utilised for any re-payments which the Sterilox Group do not satisfy on the promissory notes. The Sterilox Group has no interest in the Holdback account, other than to earn accrued interest. The Holdback agreement sets out a specific payment schedule for when the Sterilox Group is entitled to receive the funds provided there are no non-payments under the Note and Security Agreement.

See note 20 for further details of the terms and conditions of the promissory notes.

17 OPERATING LEASES RECEIVABLE

	2004 $	*2005 $*
Minimum lease payments under operating leases recognised as income in the year	2,281,541	1,249,930

At the balance sheet date the Sterilox Group has total outstanding receivables under non-cancellable operating leases, which fall due as follows:

	2004 $	*2005 $*
Within one year	267,838	1,887,824
In the second to fifth years inclusive	308,588	2,743,767
After five years	—	6,304
	576,426	4,637,895

Operating lease receipts represent rentals receivable from customers for the use of certain property, plant and machinery. Leases have varying terms and renewal rights.

18 CASH AND CASH EQUIVALENTS

	2004 $	*2005 $*
Cash at bank and in hand	—	952,842

19 TRADE AND OTHER PAYABLES

	2004 $	*2005 $*
Trade payables	5,532,652	4,485,263
Other taxes and social security	119,054	69,427
Other payables	10,746	77,352
Accruals and deferred income	2,778,493	2,043,766
	8,440,945	6,675,808

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

20 FINANCIAL LIABILITIES

This note provides information about the contractual terms of the Sterilox Group and interest bearing loans and borrowings. For more information about the Sterilox Group's exposure to interest rate and foreign currency risk see note 21.

	2004 $	*2005 $*
Current liabilities		
Finance lease liabilities	4,987	50,460
Bank overdraft	445,851	884,424
Note Payable	2,300,000	—
Promissory 7.5 *per cent* loan note (November 2008)	—	734,128
Promissory 7.5 *per cent* loan note (January 2009)	—	693,629
	2,750,838	2,362,641
Non-current liabilities		
Finance lease liabilities	5,684	113,590
Convertible 14 *per cent* loan notes	13,056,018	—
Promissory 7.5 *per cent* loan note (November 2008)	—	1,329,744
Promissory 7.5 *per cent* loan note (January 2009)	—	1,437,712
	13,061,702	2,881,046

Under IAS 39 the 14 *per cent* convertible loan notes are classified as compound financial instruments. The liability and equity components of this loan note have been separately valued and disclosed.

Loans payable to related parties

In April 2002, Sterilox Technologies, Inc. entered into bridge loans with six related parties in the amount of $599,716. The notes bear interest at the rate of 20 *per cent* per annum. The loans matured on 12 May 2002 and $317,620 was repaid. The remaining $282,096 was repaid during 2003.

In conjunction with the issuance of the 20 *per cent* bridge loan, Sterilox Technologies, Inc. issued warrants to purchase 301,900 shares of Sterilox Technologies, Inc.'s common stock at a price of $3.20 per share through 4 December 2007 that were valued at $319,722. Sterilox Technologies, Inc. allocated the gross proceeds between the warrants and debt based on their relative fair values. The discount was being amortised over the expected term of the loans through interest expense.

In April 2003, Sterilox Technologies, Inc. entered into a bridge loan with a related party for $500,000. The note bore interest at a rate of 24 *per cent* per annum and matured in June 2003. As of 31 December 2003, all amounts due for principal and interest on this note had been paid. In conjunction with the issuance of this note, Sterilox Technologies, Inc. issued a warrant to purchase 200,000 shares of common stock. A portion of the gross proceeds was allocated to the warrants based on the relative fair values. The discount was amortised over the expected term of the bridge loan through interest expense and fully expensed in 2003.

In December 2004, Sterilox Technologies, Inc. entered into a bridge note with a related party for $2,300,000 at an imputed interest rate of 30 *per cent* and payable on-demand. The proceeds of this bridge note were received and subsequently paid in full with the proceeds from the shareholder subscription offering. In conjunction with the issuance of this bridge note, Sterilox Technologies, Inc. issued a warrant to purchase 1,000,000 shares of common stock. A portion of the gross proceeds was allocated to the warrants based on the relative fair values. As this bridge note was payable on-demand, $172,500 was charged to interest expense for the year ended 31 December 2004.

Notes payable

During the period from 1 April 2001 through 31 December 2001, Sterilox Technologies, Inc. issued $2,470,000 of 10 *per cent* Convertible Notes due 31 March 2004 (the 2004 Notes) with interest payable semi-annually. The notes were redeemable by Sterilox Technologies, Inc. on the maturity date provided that the 2004 Notes had not previously been converted to common stock at the election of the 2004 Note holders. The 2004 Notes were convertible at $3.20 per share. The 2004 Notes were secured by Sterilox Technologies, Inc.'s intellectual property rights, as defined. The 2004 Notes were either fully retired or converted into the 2006 Notes (as defined below).

In July 2003, Sterilox Technologies, Inc. authorised the issuance and sale of 14 *per cent* Convertible Notes due 31 July 2006 (the 2006 Notes) with interest payable annually. The 2006 Notes were redeemable by Sterilox Technologies, Inc. on the maturity date for 130 *per cent* of their nominal value provided that the 2006 Notes had not previously been converted to preferred stock at the election of the 2006 Note holders. The 2006 Notes were convertible at $3.20 per share. As of 31 December 2004, Sterilox Technologies, Inc. received gross proceeds from the offering of approximately $12,042,000 including conversions of $2,180,000 of the 2004 Notes into the 2006 Notes. The deferred financing costs of $840,855 in 2004 have been capitalised and were being amortised over the expected term of the notes through interest expense. For the years ending 31 December 2005 and 2004, interest expense included $701,315 and $3,162,740, respectively, of related amortisation and accretion of the 30 *per cent* premium. The 2006 Notes were converted or paid off in March 2005 (see below).

In March 2005 an Exchange Offer was proposed to holders of the 2006 Notes. The holders of the 2006 Notes were offered the option of (1) holding their 2006 Notes unchanged, (2) redeeming their 2006 Notes for 122 *per cent* of their current net value (face value less discount) and immediately converting their 2006 Notes into shares of common stock at a rate of $1.15 per share, or (3) redeeming their 2006 Notes for 122 *per cent* of their current net value (face value less discount) for cash. Upon completion of this transaction, 31.5 *per cent* of 2006 Note holders, representing $3,792,500 of the 2006 Notes outstanding at net current value ($4,930,250 face value), elected to convert their 2006 Notes into 4,021,696 shares of common stock. The balance of 2006 Note holders, representing $8,250,000 of the 2006 Notes outstanding at net current face value ($10,725,000 face value), elected to redeem their 2006 Notes for $10,065,000 in cash.

In November 2005, Sterilox Technologies, Inc. borrowed $2,063,872 in the form of a secured promissory note. The note is payable in 35 monthly instalments beginning January 2006, bears interest at a rate of 7.5 *per cent*, and is secured by leased equipment (and related payments). Monthly payments on this note are aligned with the payments due from Sterilox Technologies, Inc. for the leased equipment. As of 31 December 2005, $2,063,872 was outstanding on this note.

In December 2005 Sterilox Technologies, Inc. borrowed $2,131,341 in the form of a secured promissory note. The note is payable in 35 monthly instalments beginning February 2006, bears interest at a rate of 7.5 *per cent*, and is secured by leased equipment (and related payments). Monthly

payments on this note are aligned with the payments due from Sterilox Technologies, Inc. for the leased equipment. Funds from this note were not received as of year-end and are classified as Lease Financing Receivable on the 2005 Balance Sheet. As of 31 December 2005, $2,131,341 was outstanding on this note.

Terms and debt repayment schedule	*2004 $*	*2005 $*
Bank overdraft	445,851	884,424
Note payable	2,300,000	—
Convertible 14% loan notes	13,056,018	—
Promissory 7.5% loan note (November 2008)	—	2,063,872
Promissory 7.5% loan note (January 2009)	—	2,131,341
Borrowings	15,801,869	5,079,637

The borrowings are repayable as follows:

	2004 $	*2005 $*
On demand or within one year	2,745,851	2,312,181
In the second year	13,056,018	1,482,427
In the third to fifth years inclusive	—	1,285,029
	15,801,869	5,079,637

Finance lease liabilities are payable as follows:

	2004		*2005*	
	Minimum lease payments $	*Present value of minimum lease payments $*	*Minimum lease payments $*	*Present value of minimum lease payments $*
Within one year	7,662	4,987	55,184	50,460
In the second to fifth years inclusive	8,359	5,684	157,935	113,590
	16,021	10,671	213,119	164,050
Less future finance charges	(5,350)	—	(49,069)	—
	10,671	10,671	164,050	164,050

The above leasing arrangements do not contain any restrictive covenants or contingent rents.

Leases are used to acquire major items of machinery and equipment as they provide a significant cash flow advantage over an outright cash purchase.

21 FINANCIAL INSTRUMENTS

All financial instruments held by the Sterilox Group, as detailed in this note, are classified as “Loans and Receivables” and “Financial Liabilities Measured at Amortised Cost” under IAS 39.

Analysis by currency

	Borrowings		*Cash and cash equivalents*	
	2004 $	*2005 $*	*2004 $*	*2005 $*
Sterling	445,851	884,424	—	—
US Dollar	15,356,018	4,195,213	—	952,842
	15,801,869	5,079,637	—	952,842

Undrawn committed borrowing facilities

At the year end the Sterilox Group had the following undrawn committed borrowing facilities:

	2004 *$*	*2005* *$*
Expiring within one year	166,236	39,579

Interest rate exposure

The interest rate exposure of the Sterilox Group is as follows:

	2004				*2005*			
	Fixed rate *$*	*Floating rate* *$*	*Non-interest bearing* *$*	*Total* *$*	*Fixed rate* *$*	*Floating rate* *$*	*Non-interest bearing* *$*	*Total* *$*
Borrowings	(15,356,018)	(445,851)	—	(15,801,869)	(4,195,213)	(884,424)	—	(5,079,637)
Cash and cash equivalents	—	—	—	—	—	952,842	—	952,842
	(15,356,018)	(445,851)	—	(15,801,869)	(4,195,213)	68,418	—	(4,126,795)

Fair value of borrowings and cash and cash equivalents

The comparison of book and fair values of all the Sterilox Group's financial assets and liabilities at the year end is set out below:

	2004		*2005*	
	Book value *$*	*Fair value* *$*	*Book value* *$*	*Fair value* *$*
Cash at bank and in hand	—	—	952,842	952,842
Trade and other receivables	2,279,435	2,279,435	3,084,496	3,084,496
Other loans receivable	2,300,000	2,300,000	1,775,226	1,775,226
Trade and other payables	(8,440,945)	(8,440,945)	(6,675,808)	(6,675,808)
Short term borrowings	(2,750,838)	(2,750,838)	(2,362,641)	(2,362,641)
Long term borrowings	(13,061,702)	(14,683,378)	(2,881,046)	(3,077,191)
	(19,674,050)	(21,295,726)	(6,106,931)	(6,303,076)

The following methods and assumptions were used in estimating fair values for financial instruments:

Short-term borrowings, cash and deposits approximate to book value due to their short maturities. For bank and other loans, carrying fixed rates of interest, included within long term borrowings, the repayments which the Sterilox Group is committed to make have been discounted at the relevant interest rates applicable at 31 December 2005.

Financial risk management

The Sterilox Group's multi-national operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign exchange rates, credit risks, liquidity and interest rates. The Sterilox Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Sterilox Group by using various instruments and techniques.

Risk management policies have been set by the Board and applied by the Sterilox Group.

(a) Foreign exchange risk

The Sterilox Group has transactional currency exposures arising from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currency. Under the Sterilox Group's foreign exchange policy, such transaction exposures are hedged once they are known, mainly through the use of foreign currency bank accounts.

(b) Interest rate risk

The Sterilox Group operates an interest rate policy designed to optimise interest costs and reduce volatility in reported earnings. This policy is achieved by maintaining a target range of fixed and floating rate debt for discrete annual periods, over a defined time horizon.

As at 31 December 2005 $952,842 was on deposit with various banks and $884,424 overdraft was utilised of which the $884,424 overdraft was held in the UK. A 1 *per cent* change in interest rates would have a $684 impact on loss before tax.

(c) Credit risk

The Sterilox Group's financial assets are bank balances and cash, trade and other receivables, which represent the Sterilox Group's maximum exposure to credit risk in relation to financial assets.

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

The Sterilox Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Sterilox Group's management based on prior experience and their assessment of the current economic environment. An allowance for impairment is made where there is an identified loss event which, based on pervious experience, is evidence of a reduction in the recoverability of the cash flows. The Sterilox Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Note 15 sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables. There are no impairment losses recognised on other financial assets.

(d) Liquidity risk

The Sterilox Group actively maintains committed facilities that are designed to ensure the Sterilox Group has sufficient funds for operations and planned expansions. The maturity analysis of financial liabilities is given in note 20. Funds from Sterilox Technologies, Inc.'s planned flotation on the London Stock Exchange will be used to settle these obligations. Should this listing not occur, prior to the maturity of the loans, the directors will seek additional funding from private share capital placings.

22 EMPLOYEE BENEFITS

Defined contribution plan

The Sterilox Group operates a defined contribution pension plan. The total expense relating to this plan in the current year was $225,721 (2004: $171,119).

Share based payments

During the years ended 31 December 2004 and 2005 Sterilox Technologies, Inc. operated an Employee Share Option Scheme. The share options granted under the scheme are not subject to performance conditions and have an exercise period of up to 7 years. There are no vesting conditions attached to the options other than completion of service, with options becoming vested at various points in time following the completion of one year's employment with Sterilox Technologies, Inc.

	2004		*2005*	
	Weighted average exercise price $	*Number of options*	*Weighted average exercise price*	*Number of options*
Outstanding at beginning of year	2.81	10,123,600	2.32	7,531,617
Granted during the year	2.96	3,840,000	0.83	10,623,333
Exercised during the year	2.25	(2,176,665)	—	—
Forfeited during the year	2.23	(4,255,318)	2.06	(659,000)
Outstanding at end of year	2.77	7,531,617	1.62	17,495,950
Exercisable at end of year	2.32	3,769,342	1.69	8,061,224

The weighted average share price for the year was $0.825 (2004: $1.00). The weighted average share price has been based on valuations undertaken in the year and is not based on market observable information.

The following table summarises the options outstanding at the year end:

2004				*2005*			
Exercise price $	*Options outstanding Number*	*Options exercisable Number*	*Weighted average life*	*Exercise price $*	*Options outstanding Number*	*Options exercisable Number*	*Weighted average life*
0-0.325	150,000	150,000	7.0	0-0.325	150,000	150,000	0.6
0.325-0.650	—	—	—	0.325-0.650	1,300,000	550,000	4.4
0.650-0.975	—	—	—	0.650-0.975	8,945,000	3,214,999	4.4
1.625-1.950	376,250	376,250	7.0	1.625-1.950	151,250	151,250	0.5
2.275-2.600	3,074,667	2,851,292	—	2.275-2.600	3,173,000	3,077,500	3.5
2.925-3.250	3,930,700	391,800	8.5	2.925-3.250	3,776,700	917,475	6.5
	7,531,617	3,769,342			17,495,950	8,061,224	

The weighted average fair value of the options granted to employees in 2005 was calculated as $0.14 (2004: $0.10) per option according to the Black Scholes option valuation model.

The inputs into the model were as follows:

	2004	*2005*
Weighted average share price ($)	1.00	0.83
Weighted average exercise price ($)	3.22	0.80
Expected volatility (%)	43%	35%
Risk free interest rate (%)	1.20 – 2.50	3.84 – 4.43
Expected dividend yield (%)	—	—

In December 2004, Sterilox Technologies, Inc. granted 500,000 shares to an investor related to an option whereby Sterilox Technologies, Inc. would issue the shares should certain financial targets not be met. As at 31 December 2004 the financial targets were not met and the cost of the shares was expensed to selling, general and administrative expenses. As the shares were not issued until 2005 $260,000 was recorded as shares to be issued as at 31 December 2004. The market value of these options was calculated using the Black Scholes option pricing model.

During the year ended 31 December 2004 Sterilox Technologies, Inc. also granted 25,000, 20,000 and 5,000 options to three investors related to the conversion of the 2004 notes. These options were issued with an exercise price of $2.25 per share, vested immediately, and had a term of less than one year. Using the Black Scholes option pricing method with a volatility of 14 *per cent* and risk free interest rate of 3.30 *per cent*, the value of these options was calculated to be $nil. Accordingly no related expense was recorded in the income statement in respect of these options.

During the year ended 31 December 2005 Sterilox Technologies, Inc. also granted 20,000 options to an unrelated outside party for consulting services at $0.825 per share vesting over 12 months. Sterilox Technologies, Inc. recognised an expense of $6,200 in the income statement in respect of these options. The market value of these options was calculated based on the fair value of the services received. The fair value of the services received was calculated by reference to the invoices received from the consultants.

Sterilox Technologies, Inc. has recognised total expenses of $1,333,380 (2004: $168,138) related to employee equity settled share based payment transactions during the year.

23 PROVISIONS

	Warranty and repairs provision	
	2004 $	*2005 $*
Balance at start of year	8,519	151,672
Provisions made during the year	151,672	—
Provisions used during the year	(8,519)	(125,920)
Balance at end of year	151,672	25,752
Current	—	—
Non-current	151,672	25,752
	151,672	25,752

Provisions set aside for warranty exposures either relate to monies provided systematically based on historical experience under contractual warranty obligations attaching to the supply of goods or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. The warranty provision is expected to be utilised within two years.

24 SHARE CAPITAL

	Authorised		*Allotted, called up and fully paid*	
	2004 $	*2005 $*	*2004 $*	*2005 $*
Ordinary shares of $0.001 each	150,000	150,000	46,424	99,494
Ordinary shares of $0.001 each	*Number '000*	*Number '000*	*Number '000*	*Number '000*
At beginning of the year	150,000	150,000	43,223	46,424
Shares issued under share option schemes	—	—	3,201	53,070
At end of year	150,000	150,000	46,424	99,494

Each of the ordinary shares carries one vote per share and is entitled to dividends at the discretion of the directors. There are no restrictions on any of the shares.

Sterilox Technologies, Inc.'s Articles of Incorporation previously authorised 100,000,000 ordinary shares of $0.001 each per share. In April 2005, Sterilox Technologies, Inc. received stockholder approval increasing the number of authorised shares of Sterilox Technologies, Inc.'s ordinary capital from 100,000,000 to 150,000,000.

During 2005, Sterilox Technologies, Inc. offered to all holders of shares of its ordinary capital the right to purchase, at a subscription price of $0.50 per share, one ordinary share for each ordinary share held by such stockholder (the Offering). All holders of ordinary shares as of 31 January 2005, the date selected by Sterilox Technologies, Inc.'s board of directors for determining holders of record, were entitled to participate in the offering.

Participants in the offering who subscribed for the entire amount of shares to which they were entitled also were able to subscribe, on a pro rata basis based on their percentage ownership of ordinary shares, for additional ordinary shares, at a subscription price of $0.50 per share (Additional Shares), to the extent that other stockholders had not subscribed for the entire amount of ordinary shares to which they were entitled in the offering (the secondary offering).

Upon the consummation of the offering and the secondary offering, Sterilox Technologies, Inc. issued 45,060,378 ordinary shares for $22,530,189. From these proceeds, Sterilox Technologies, Inc. repaid the $2,300,000 bridge loan and funded the redemption of $8,250,000 of the 2006 notes outstanding for $10,065,000.

In April and May 2005, shortly following the consummation of the offering and the secondary offering, Sterilox Technologies, Inc. issued an additional 1,944,656 shares at $0.50 per share for net proceeds to Sterilox Technologies, Inc. of $972,328. The shares were purchased by existing shareholders.

In December 2005, an investor purchased 1,098,901 shares of the company's common stock for $1,000,000. Warrants to purchase 108,696 shares of common stock were issued in January 2006 related to this transaction.

Warrants

During the year ended 31 December 2003, Sterilox Technologies, Inc. issued a warrant to purchase 200,000 shares of common stock to holders of bridge loans. The warrant was immediately exercisable, expires in April 2008, and has an exercise price of $3.00 per share. For the year ended 31 December 2003, Sterilox Technologies, Inc. recorded an expense of $73,800 related to the fair value of the warrant calculated using the Black-Scholes option-pricing method and assuming a risk-free interest rate of 2.93 *per cent* and volatility of 47 *per cent*.

Additionally, during the year ended 31 December 2004, Sterilox Technologies, Inc. issued warrants to purchase 11,077 shares of common stock to a third party for consulting services. The warrants were immediately exercisable, expire in March 2009, and have an exercise price of $3.25 per share. The warrants were valued based upon the fair market value of the services rendered. The fair value of the services rendered was calculated by reference to the invoices received from the consultants. For the years ended 31 December 2005 and 2004, Sterilox Technologies, Inc. recorded an expense of $nil and $6,000, respectively, related to the fair value of the warrants. The consulting services were performed during 2005 and 2004; however, the warrants were not issued until 2005.

In December 2004, in conjunction with the issuance of a bridge note, Sterilox Technologies, Inc. issued warrants to purchase 1,000,000 shares of common stock. The warrants are immediately exercisable and have an exercise price of $0.50 per share. For the year ended 31 December 2004, Sterilox Technologies, Inc. recorded an expense of $172,500 related to the fair value of the warrants, calculated using the Black-Scholes option pricing method.

In December 2005, Sterilox Technologies, Inc. issued 108,696 warrants to a related party in conjunction with an investment in the Company (see above). The warrants are immediately exercisable at $0.92 per share and have a term of 3 years.

As of 31 December 2005, 1,589,462 warrants remain outstanding (2004: 1,480,766 warrants).

The following table summarises the warrants outstanding at the year end:

2004				*2005*			
Exercise price $	*Warrants outstanding Number*	*Warrants exercisable Number*	*Weighted average life*	*Exercise price $*	*Warrants outstanding Number*	*Warrants exercisable Number*	*Weighted average life*
0.92	—	—	—	0.92	108,696	108,696	3.0
3.00	200,000	200,000	3.3	3.00	200,000	200,000	2.3
3.20	269,689	269,689	2.3	3.20	269,689	269,689	1.3
3.25	1,011,077	1,011,077	3.0	3.25	1,011,077	1,011,077	2.0
	1,480,766	1,480,766			1,589,462	1,589,462	

The weighted average fair value of the warrants granted in 2005 was calculated as $1.63 (2004: $2.77) per warrant according to the Black Scholes option valuation model.

25 CHANGES IN SHAREHOLDERS' EQUITY

	Share capital $	*Share premium $*	*Other reserves $*	*Retained earnings $*	*Cumulative translation adjustment $*	*Total $*
At 1 January 2004	43,223	58,716,231	1,564,800	(62,381,254)	—	(2,057,000)
Total recognised income and expense	—	—	—	(14,354,124)	154,323	(14,199,801)
Share issues	3,201	5,451,796	—	—	—	5,454,997
Share options and warrants vested	—	—	433,134	—	—	433,134
Transfers	—	154,710	(154,710)	—	—	—
At 31 December 2004	46,424	64,322,737	1,843,224	(76,735,378)	154,323	(10,368,670)
Total recognised income and expense	—	—	—	(12,915,915)	(130,152)	(13,046,067)
Share issues	53,070	28,961,153	—	—	—	29,014,223
Share options and warrants vested	—	—	1,456,754	—	—	1,456,754
Convertible loan notes repaid	—	—	(491,143)	—	—	(491,143)
At 31 December 2005	99,494	93,283,890	2,808,835	(89,651,293)	24,171	6,565,097

Retained earnings include the accumulated profits and losses arising from the consolidated income statement and certain items from the statement of recognised income and expense attributable to equity shareholders less distributions to shareholders.

Other reserves represent the costs of warrants and stock options issued but not exercised at the balance sheet date and the equity component of convertible debt instruments.

The cumulative translation adjustment reserve incorporates the net exchange gains and losses recognised on the translation of subsidiary company financial statements to the presentational currency of US Dollars ($) as recorded since the date of transition to IFRS, 1 January 2004, (see accounting policies).

26 OPERATING LEASES PAYABLE

	2004 $	*2005 $*
Minimum lease payments under operating leases recognised as an expense in the year	206,076	212,783

At the balance sheet date, the Sterilox Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2004 $	*2005 $*
Land and buildings		
Within one year	104,520	110,760
In the second to fifth years inclusive	453,180	342,420
Plant and machinery		
Within one year	635,794	586,928
In the second to fifth years inclusive	1,288,534	1,068,884
After five years	1,044,475	702,656
	3,526,503	2,811,648

Operating lease payments represent rentals payable by the Sterilox Group for certain of its properties and equipment. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

27 CAPITAL COMMITMENTS

	2004 $	2005 $
Contracts placed for future capital expenditure not provided in the financial statements	—	3,871,200

28 SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions occurred during the year:

For the year ended 31 December 2004	At 1 January 2004 $	Cash flow $	New finance leases $	Exchange movement $	At 31 December 2004 $
Finance leases	(16,860)	6,189	—	—	(10,671)

For the year ended 31 December 2005	At 1 January 2005 $	Cash flow $	New finance leases $	Exchange movement $	At 31 December 2005 $
Finance leases	(10,671)	30,356	(159,228)	—	(139,543)

29 RELATED PARTY TRANSACTIONS

In the ordinary course of business, sales and purchases of goods take place between Sterilox Group companies. These transactions take place on an arms length basis.

In connection with financing activities, the Sterilox Group incurred fees of $nil (2004: $151,800) payable to an institution co-owned by a member of the Sterilox Group's board of directors. At the year end the balance outstanding was $nil (2004: $nil).

Note 20 sets out a number of related party loan arrangements in the year.

Share based payments to key management in the year were $7,080 (2004: $44,580).

30 ULTIMATE CONTROLLING PARTY

The following are the controlling shareholders in Sterilox Technologies, Inc. as a result of controlling, directly or indirectly the stated number of shares as of 31 December 2005:

	Number of Shares	Percentage Holding
Gacita Ltd	12,688,986	12.1%
Rysaffe Trustee Company (C1) Ltd	7,228,026	6.9%
Bost & Co	6,782,672	6.5%
Woolwich International Holdings	6,420,000	6.1%
Q Invest A13	2,608,696	2.5%

31 POST BALANCE SHEET EVENTS

In January 2006 funds were received under a promissory note signed in December 2005.

In January 2006, Sterilox Technologies, Inc. issued 6,521,739 shares to an investor for $6,000,000. In conjunction with this sale, Sterilox Technologies, Inc. issued 652,174 warrants to purchase the Company's common stock at an exercise price of $0.92. The warrants vest immediately and have a term of 3 years.

In March 2006, Sterilox Technologies, Inc.'s UK subsidiary was notified that it's line of credit with its commercial bank was to be decreased from £550,000 to £100,000, bearing interest at a rate of 2.5 *per cent* per annum over the bank's current base rate. The line will be reduced over time to

£450,000 at 30 April 2006, £300,000 at 31 May 2006 and to £150,000 at 30 June 2006. The line remains secured by the accounts receivable of Sterilox Technologies, Inc.'s UK subsidiary.

In April 2006, Sterilox Technologies, Inc. secured a $7.5 million line of credit with a US commercial bank. The line of credit is secured by the assets of Sterilox Technologies, Inc. as well as ongoing operating lease revenue streams. In conjunction with this line of credit, Sterilox Technologies, Inc. issued the lender a 3 year warrant to purchase 200,000 shares of common stock at an exercise price of $1.00 per share. A draw down of $4.6 million was made by Sterilox Technologies, Inc. on this line of credit on 19 April 2006 and an additional draw down totalling $1.1 million was made on 6 June 2006.

In April 2006, Sterilox Technologies, Inc. entered into a lease for office space, expiring in September 2009. Future minimum lease payments under the lease totals $1,083,583.

On 26 June 2006, the entire share capital of Sterilox Technologies, Inc. was acquired by PuriCore plc.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Some asset and liability amounts reported in the accounts are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year.

Warranty and repairs provision

The Sterilox Group has a warranty provision of $25,752, (2004: $151,672). The provision relates to either monies provided systematically based on historical experience under contractual warranty obligations, attaching to the supply of goods, or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation.

Provisions for warranty exposures are judgemental by their nature. The Sterilox Group has adopted a consistent approach, year on year, in estimating the provision required.

Inventory provision

The Sterilox Group has provisions for slow moving and obsolete inventory of $nil (2004: $14,167).

Provisions for inventory are based on historical experience and forecast usage and are judgemental by their nature.

Impairment provisions

The Sterilox Group has goodwill of $605,211 (2004: $685,174). No impairment provision has been provided against this goodwill as management have calculated the recoverable amount to be in excess of its carrying value.

This judgement is based on current conditions and in future years may change resulting in material impairment provisions against goodwill being required.

Classification of leases

The Sterilox Group utilises assets subject to operating and financing leases. The classification of these leases is based on a number of factors, such as risk and rewards, length of use and the fair value of minimum lease payments. Lease classification is made at the inception of the lease.

The Sterilox Group also lease certain machines to customers. These are currently classified as operating leases. The classification of these leases is based on the same factors as those noted above. Lease classification is made at the inception of the lease.

Share based payment

The charge to the income statement, in relation to options and warrants, is based on valuation techniques (principally the Black-Scholes option pricing model). These valuation techniques require a number of assumptions to be made such as those in relation to volatility, movement in interest rates and dividend yields.

These assumptions are made on the basis of information and conditions that exist at the time of the valuation.

33 EXPLANATION OF TRANSITION TO IFRS

As stated in the accounting policies, these are the Sterilox Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the Sterilox Group's date of transition).

In preparing its opening IFRS balance sheet, the Sterilox Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (US GAAP). An explanation of how the transition from US GAAP to Adopted IFRSs has affected the Sterilox Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	1 January 2004 Previously reported under US GAAP and presented in IFRS format $	1 January 2004 Effect of transition to IFRS $	1 January 2004 Adopted IFRS's $	31 December 2004 Previously reported under US GAAP and presented in IFRS format $	31 December 2004 Effect of transition to IFRS $	31 December 2004 Adopted IFRS's $
	(a)						
ASSETS							
NON CURRENT ASSETS							
Intangible assets	(c)	4,296,321	123,796	4,420,117	3,542,678	596,357	4,139,035
Property, plant and equipment		2,050,355	—	2,050,355	1,958,336	—	1,958,336
Other receivables		747,865	—	747,865	521,008	—	521,008
TOTAL NON CURRENT ASSETS		7,094,541	123,796	7,218,337	6,022,022	596,357	6,618,379
CURRENT ASSETS							
Inventories		2,525,689	—	2,525,689	3,359,681	—	3,359,681
Trade and other receivables		1,693,709	—	1,693,709	1,758,427	—	1,758,427
Other loans receivable		—	—	—	2,300,000	—	2,300,000
Cash and cash equivalents		1,629,621	—	1,629,621	—	—	—
TOTAL CURRENT ASSETS		5,849,019	—	5,849,019	7,418,108	—	7,418,108
TOTAL ASSETS		12,943,560	123,796	13,067,356	13,440,130	596,357	14,036,487
LIABILITIES							
CURRENT LIABILITIES							
Trade and other payables		(4,640,302)	—	(4,640,302)	(8,440,945)	—	(8,440,945)
Financial liabilities	(d)	(1,224,987)	44,879	(1,180,108)	(2,750,838)	—	(2,750,838)
TOTAL CURRENT LIABILITIES		(5,865,289)	44,879	(5,820,410)	(11,191,783)	—	(11,191,783)
NON CURRENT LIABILITIES							
Financial liabilities	(d)	(9,786,569)	491,143	(9,295,426)	(13,552,845)	491,143	(13,061,702)
Provisions		(8,519)	—	(8,519)	(151,672)	—	(151,672)
TOTAL NON CURRENT LIABILITIES		(9,795,088)	491,143	(9,303,945)	(13,704,517)	491,143	(13,213,374)
TOTAL LIABILITIES		(15,660,377)	536,022	(15,124,355)	(24,896,300)	491,143	(24,405,157)
NET (LIABILITIES)/ ASSETS		(2,716,817)	659,818	(2,056,999)	(11,456,170)	1,087,500	(10,368,670)
EQUITY							
Share capital		43,223	—	43,223	46,424	—	46,424
Share premium	(d),(e),(f)	59,640,949	(924,717)	58,716,232	65,271,244	(948,507)	64,322,737
Other reserves	(d),(e),(f)	—	1,564,800	1,564,800	—	1,843,224	1,843,224
Deferred compensation	(e),(f)	(285,999)	285,999	—	(154,624)	154,624	—
Retained earnings		(62,274,423)	(106,831)	(62,381,254)	(76,917,518)	182,140	(76,735,378)
Cumulative translation adjustment	(g)	159,433	(159,433)	—	298,304	(143,981)	154,323
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		(2,716,817)	659,818	(2,056,999)	(11,456,170)	1,087,500	(10,368,670)
TOTAL EQUITY		(2,716,817)	659,818	(2,056,999)	(11,456,170)	1,087,500	(10,368,670)

	Note	31 December 2005 Previously reported under US GAAP and presented in IFRS format $	Effect of transition to IFRS $	Adopted IFRS's $
	(a)			
ASSETS				
NON CURRENT ASSETS				
Intangible assets	(c)	3,152,443	1,381,802	4,534,245
Property, plant and equipment		3,649,412	—	3,649,412
Other loans receivable		783,073	—	783,073
Other receivables		202,270	—	202,270
TOTAL NON CURRENT ASSETS		7,787,198	1,381,802	9,169,000
CURRENT ASSETS				
Inventories		3,731,050	—	3,731,050
Trade and other receivables		2,882,226	—	2,882,226
Other loans receivable		1,775,226	—	1,775,226
Cash and cash equivalents		952,842	—	952,842
TOTAL CURRENT ASSETS		9,341,344	—	9,341,344
TOTAL ASSETS		17,128,542	1,381,802	18,510,344
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		(6,675,808)	—	(6,675,808)
Financial liabilities		(2,362,641)	—	(2,362,641)
TOTAL CURRENT LIABILITIES		(9,038,449)	—	(9,038,449)
NON CURRENT LIABILITIES				
Financial liabilities		(2,881,046)	—	(2,881,046)
Provisions		(25,752)	—	(25,752)
TOTAL NON CURRENT LIABILITIES		(2,906,798)	—	(2,906,798)
TOTAL LIABILITIES		(11,945,247)	—	(11,945,247)
NET ASSETS		5,183,295	1,381,802	6,565,097
EQUITY				
Share capital		99,494	—	99,494
Share premium	(d),(e),(f)	94,232,397	(948,507)	93,283,890
Other reserves	(d),(e),(f)	—	2,808,835	2,808,835
Deferred compensation	(e),(f)	(31,250)	31,250	—
Retained earnings		(89,310,681)	(340,612)	(89,651,293)
Cumulative translation adjustment	(g)	193,335	(169,164)	24,171
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		5,183,295	1,381,802	6,565,097
TOTAL EQUITY		5,183,295	1,381,802	6,565,097

Reconciliation of profit

		2004			2005		
	Note	*Previously reported under US GAAP and presented in IFRS format*	*Effect of transition to IFRS*	*Adopted IFRS's*	*Previously reported under US GAAP and presented in IFRS format*	*Effect of transition to IFRS*	*Adopted IFRS's*
	(a)	*$*	*$*	*$*	*$*	*$*	*$*
CONTINUING OPERATIONS							
REVENUE		11,285,422	—	11,285,422	12,835,954	—	12,835,954
Cost of sales		(7,750,128)	—	(7,750,128)	(8,961,594)	—	(8,961,594)
GROSS PROFIT		3,535,294	—	3,535,294	3,874,360	—	3,874,360
Selling, general and administrative expenses	(b),(c),(f)	(12,620,191)	(611,509)	(13,231,700)	(12,494,517)	(1,541,424)	(14,035,941)
Research and development	(c)	(2,813,993)	457,109	(2,356,884)	(2,584,986)	938,709	(1,646,277)
Profit on disposal of property, plant and equipment		1,179,839	—	1,179,839	—	—	—
EARNINGS BEFORE INTEREST AND TAX		(10,719,051)	(154,400)	(10,873,451)	(11,205,143)	(602,715)	(11,807,858)
Finance costs		(3,480,740)	—	(3,480,740)	(1,227,546)	—	(1,227,546)
Finance income		67	—	67	119,489	—	119,489
LOSS BEFORE TAX		(14,199,724)	(154,400)	(14,354,124)	(12,313,200)	(602,715)	(12,915,915)
Income tax expense	(b)	(443,371)	443,371	—	(79,963)	79,963	—
LOSS FOR THE YEAR		(14,643,095)	288,971	(14,354,124)	(12,393,163)	(522,752)	(12,915,915)
EARNINGS PER SHARE							
Continuing operations		*$/share*		*$/share*	*$/share*		*$/share*
Basic		(0.26)		(0.26)	(0.13)		(0.14)
Diluted		(0.26)		(0.26)	(0.13)		(0.14)

Reconciliation of cash flow

With the exception of reclassification, there are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under US GAAP.

Explanation of IFRS adjustments

A summary of the significant differences between US GAAP and IFRS and the impact to the Sterilox Group is as follows:

(a) **Presentation of financial results and information.** The format of the IFRS financial statements has been prepared in accordance with IAS 1 "Presentation of financial statements", which differs from its US equivalent. In particular there is greater flexibility on the presentation of information in the primary statements. Certain headings are mandatory but IFRS allows companies to adopt other headings in accordance with the nature of their business.

A reclassification has been made to classify warranty accruals from current liabilities under US GAAP to provisions in accordance with IAS 37. At 1 January 2004 $8,519 has been reclassified, 31 December 2004 $151,672 and at 31 December 2005 $25,752.

(b) **Income tax and goodwill impairment charge.** On acquisition of Sterilox Medical (Europe) Limited on 30 November 2000, pre-acquisition losses of $1,910,761 were acquired. No deferred tax asset was recognised at the time of acquisition, as the directors considered realisation uncertain. Subsequent benefit has been utilised and under US GAAP this benefit is treated as a write down against goodwill and credit against tax charged in the income statement.

A tax charge of $443,371 in 2004 and $79,963 in 2005 have been recorded in the income statement under US GAAP. Under IFRS an impairment charge against goodwill is recorded in the income statement in place of this tax charge. This has resulted in a reclassification in the income statement under IFRS from tax expense to impairment charge with $nil impact on loss for the year in 2004 and 2005.

(c) **Intangible assets – Research and development costs**. Under IFRS, IAS 38 states that when the technical and economic feasibility of a project can be demonstrated and further prescribed conditions are satisfied, the costs of the development of the project must be capitalised. Any costs relating to research must be expensed as they are incurred.

Under US GAAP, FAS 2 requires general research and development costs that are not covered by separate standards to be expensed as they are incurred.

Expenditure capitalised is $123,796 at 1 January 2004, $472,561 in 2004 and $785,445 in 2005. Amortisation of $128,081 has been charged in 2005.

(d) **Compound financial instruments**. Under IAS 32 and IFRS 7, financial instruments are treated as equity only to the extent that they include no contractual obligations to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Financial liabilities that include an option to convert to equity instruments are compound financial instruments under US GAAP and IFRS. Under IFRS the instrument is required to be "split" accounted – i.e. the equity component should be valued and shown as a component of equity. This treatment is not permitted under US GAAP. The equity component of convertible debt instruments have been included in other reserves.

At 1 January 2004 the equity component reclassified is $536,022. In 2004 $44,879 was released and $154,710 in relation to converted loan notes was transferred from other reserves to the share premium account. The remaining $491,143 was released in 2005.

(e) **Warrants**. Under US GAAP the cost of warrants has been credited to the share premium reserve over the vesting period. Under IFRS the credit is taken to other reserves and transferred to share premium reserve only when the warrants are exercised. At 1 January 2004, $73,800 has been transferred from the share premium reserve to other reserves. In 2004, a transfer of $178,500 has been made and in 2005 $nil has been transferred.

(f) **Accounting for stock based compensation**. Under IFRS, the Sterilox Group applies the fair value method of accounting for its stock based compensation plans. For accounting purposes under US GAAP, the Sterilox Group applies an intrinsic value method under APB 25 "Accounting for stock issued to employees" as permitted by SFAS 123 "Accounting for stock based compensation". As permitted under the transition rules for IFRS, the Sterilox Group has applied the accounting methodology to awards granted after 7 November 2002.

In line with the requirements of SFAS 123 and as amended by SFAS 148 "Accounting for stock based compensation – transaction and disclosure" the Sterilox Group provides pro forma disclosure of the impact of applying these standards which are based on a fair value method. The Sterilox Group has used a Black Scholes model to calculate the fair value of awards granted. Under IFRS, the fair value of the options granted are expensed over the vesting period.

The valuation models used to value all share options have been reviewed and certain assumptions which are relevant under US GAAP have been amended to ensure compliance with IFRS. This resulted in a charge to the income statement under IFRS of $390,060 in 2003, $168,138 in 2004 and $1,333,380 in 2005 and an equal credit to other reserves. Under IFRS the

cost of stock options granted but not exercised at the balance sheet date should be disclosed within a separate reserve within equity. Under US GAAP this cost is included within the share premium account. At 1 January 2004, $850,917 has been transferred from share premium to other reserves. In addition, at 1 January 2004, a credit of $285,999 deferred compensation has been transferred from deferred compensation reserve under US GAAP to other reserves under IFRS. At 31 December 2004, a debit of $131,375 has been transferred from deferred compensation to other reserves and at 31 December 2005, a debit of $123,374 has been transferred from deferred compensation to other reserves.

(g) **Cumulative translation differences**. The Directors of the Sterilox Group have taken the exemption within IFRS 1 to deem the cumulative translation adjustments at 1 January 2004 to be zero.

C. FINANCIAL INFORMATION FOR STERILOX TECHNOLOGIES INC. FOR THE YEAR ENDED AND AS OF 31 DECEMBER 2003 PREPARED UNDER US GAAP

Independent Auditors' Report

The Board of Directors
Sterilox Technologies, Inc.

We have audited the accompanying consolidated balance sheet of Sterilox Technologies, Inc. and subsidiaries as of 31 December 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive loss, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sterilox Technologies, Inc. and subsidiaries as of 31 December 2003, and the results of their operations and their cash flows for the year then ended, in conformity with US generally accepted accounting principles.

June 21, 2006

STERILOX TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
at 31 December 2003

	2003 *$*
Assets	
Current assets:	
Cash and cash equivalents	1,629,621
Accounts receivable, net	1,376,031
Inventories	2,525,689
Other current assets	317,678
Total current assets	5,849,019
Property and equipment, net	2,050,355
Intangibles, net	3,167,776
Goodwill	1,128,545
Other assets	747,865
Total assets	12,943,560
Liabilities and Stockholders' Deficit	
Current liabilities:	
Note payable	1,220,000
Accounts payable	2,835,061
Accrued expenses	1,235,335
Deferred revenue	578,425
Current portion of capital lease obligations	4,987
Total current liabilities	5,873,808
Notes payable – noncurrent	9,774,696
Capital lease obligations, less current portion	11,873
Total liabilities	15,660,377
Commitments and contingencies (note 10)	
Stockholders' deficit:	
Common stock, $0.001 par value. Authorised 150,000,000 shares; issued and outstanding 43,222,690 shares	43,223
Additional paid-in capital	59,640,949
Deferred compensation	(285,999)
Accumulated deficit	(62,274,423)
Accumulated other comprehensive income	159,433
Total stockholders' deficit	(2,716,817)
Total liabilities and stockholders' deficit	12,943,560

See accompanying notes to consolidated financial statements.

STERILOX TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended 31 December 2003

	2003 *$*
Net sales	9,505,738
Cost of sales	(5,423,658)
Gross profit	4,082,080
Operating expenses:	
Selling, general, and administrative expenses	(8,826,747)
Research and development	(1,861,034)
Total operating expenses	(10,687,781)
Operating loss	(6,605,701)
Interest income	455
Interest expense, including amortisation of warrant costs	(961,788)
Foreign currency loss	(166,100)
Net loss before income tax expense	(7,733,134)
Income tax expense	(518,243)
Net loss	(8,251,377)

See accompanying notes to consolidated financial statements.

STERILOX TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE LOSS

Year ended 31 December 2003

	Common stock		*Additional paid-in capital*	*Deferred compensation*	*Accumulated deficit*	*Accumulated other comprehensive income (loss)*	*Total*
	Shares	*Amount* $	$	$	$	$	$
Balance, 31 December 2002	42,672,690	42,673	58,617,699	(426,208)	(54,023,046)	(266,519)	3,944,599
Net loss	—	—	—	—	(8,251,377)	—	(8,251,377)
Cumulative translation	—	—	—	—	—	425,952	425,952
Total comprehensive loss							(7,825,425)
Shares issued for acquisition of Emerald Limited	550,000	550	824,450	—	—	—	825,000
Issuance of warrants in connection with bridge loan	—	—	73,800	—	—	—	73,800
Issuance of common stock options to nonemployees	—	—	125,000	(125,000)	—	—	—
Amortisation of deferred compensation	—	—	—	265,209	—	—	265,209
Balance, 31 December 2003	43,222,690	43,223	59,640,949	(285,999)	(62,274,423)	159,433	(2,716,817)

See accompanying notes to consolidated financial statements.

STERILOX TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2003

	2003 $
Cash flows from operating activities:	
Net loss	(8,251,377)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortisation	1,070,418
Amortisation of deferred compensation	265,209
Amortisation of warrant and debt discount and issuance costs	327,327
Compensation from issuance of stock options, warrants, and grants	73,800
Net gain from sale of formerly leased equipment	(1,434,883)
Income tax expense charged to goodwill	628,943
Changes in assets and liabilities, net of effects of acquisitions:	
Increase in:	
Accounts receivable	(728,373)
Inventories	(875,646)
Other current assets	(2,450)
Other assets	179,647
Increase in:	
Accounts payable and accrued expenses	1,550,494
Deferred revenue	129,421
Net cash used in operating activities	(7,067,470)
Cash flows from investing activities:	
Purchases of property and equipment	(908,860)
Proceeds from sale of formerly leased equipment	1,643,322
Net cash provided by investing activities	734,462
Cash flows from financing activities:	
Proceeds from borrowings on note payable, net	7,599,868
Repayments of borrowings from note payable	(565,837)
Payments on capital leases	(4,157)
Net cash provided by financing activities	7,029,874
Effects of exchange rate changes on cash	425,952
Increase in cash and cash equivalents	1,122,818
Cash and cash equivalents, beginning of year	506,803
Cash and cash equivalents, end of year	1,629,621
Supplemental cash flow disclosures:	
Cash paid for interest	469,570

See accompanying notes to consolidated financial statements.

(1) ORGANISATION, BUSINESS, AND ACQUISITION

Sterilox Technologies, Inc. (the Company) was incorporated in the State of Delaware on 21 February 1997. The Company is engaged in the development and exploitation of certain proprietary technologies for biocide sterilisation (Proprietary Technologies). Since formation, the Company's activities have focused on both the acquisition of the commercial rights to the Proprietary Technologies and the development, production, and sales of its products in North America as well as the UK and Europe through its UK subsidiaries. To date, North American sales efforts have focused in the food safety and hospitality markets, while UK and European applications have focused on endoscope reprocessing in the medical market. Additionally, through an exclusive distribution agreement, the Company also sells product intended for the international dental market. Substantially all of the Company's sales in 2003 were derived from its UK endoscopy reprocessing business.

The Company has incurred substantial operating losses since inception and could incur additional losses over the next several years. The Company's ability to continue commercial operations and achieve profitable operations is dependent on its ability to continue to successfully market its products in the UK, Europe, and US. Revenue may not be sufficient to support continuing operations; accordingly, the Company will need to raise additional capital through equity and debt financing, collaborative arrangements with corporate partners, or from other sources.

There can be no assurance that the Company will be able to obtain additional capital through debt or equity financing, collaborative arrangements with corporate partners, or from other sources on either favorable terms or at all. The ability of the Company to realise successful future operations will depend on, among other things, the market for the Company's products, competition, the effectiveness of future sales and marketing initiatives, and the Company's ability to attract and retain key personnel, to raise capital and to manage growth.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Foreign currency

The Company accounts for foreign currency in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*, for operating subsidiaries where the functional currency is the local currency rather than the US dollar. Cumulative translation adjustments are reflected as a separate component of stockholders' equity.

(c) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of 31 December 2003.

(e) Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on specific review of its accounts receivable. The allowance for doubtful accounts was $8,876 as of 31 December 2003. The Company does not have any off-balance-sheet credit exposure related to its customers.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out method.

(g) Property and equipment

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets: three years for computer equipment, four years for machinery and equipment, five years for furniture and fixtures, and the lesser of the estimated useful life or the remaining lease term for leasehold improvements and assets acquired pursuant to capital leases.

(h) Proprietary technology rights and patents

Proprietary technology rights and patents representing certain proprietary technologies for biocide sterilisation, which arose from acquisitions, are being amortised over a 12-year period. Amortisation expense was $304,022 for the year ended 31 December 2003. Estimated amortisation expense is $310,272 annually for the next five years.

(i) Goodwill and other intangibles

Goodwill represents the excess costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortised, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. Intangible assets with estimable useful lives are amortised over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*.

(j) Long-lived assets

In accordance with SFAS No. 144, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, then an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of 31 December 2003, management believes that no revision of the remaining useful lives or write-down of long-lived assets is required.

(k) Revenue recognition

Revenue from sale of products is recognised upon delivery. Revenue from maintenance contracts is deferred and amortised to the statements of operations over the period of the contract, Unamortised income is included within current liabilities as deferred revenue.

(l) Research and development costs

Research and development costs are charged to operations as incurred.

(m) Income taxes

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date.

(n) Fair value of financial instruments

The carrying value of cash, accounts receivable, accounts payable, and notes and loans payable approximates fair value due to the short-term maturity of these instruments.

(o) Stock-based compensation

The Company applies the intrinsic-value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25* to account for its stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation, and SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment of FASB Statement No. 123*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by existing accounting standards, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123, as amended. The following table illustrates the effect on net loss if the fair-value-based method had been applied to all outstanding and unvested awards for the year ended 31 December 2003:

Net loss, as reported	$(8,251,377)
Deduct total stock-based employee compensation expense determined under the fair-value-based method for all awards	(281,090)
Pro forma net loss	$(8,532,467)

(p) Concentration of credit risk

The Company invests its excess cash and short-term investments in accordance with a policy objective that seeks to ensure both liquidity and safety of principal. The policy places limits on investments based on investment-grade credit ratings and places restrictions on terms and concentrations.

(3) INVENTORIES

Inventories consist of the following as of 31 December 2003:

Raw materials	$ 747,639
Finished goods	1,590,492
Supplies and parts	187,558
	$2,525,689

(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of 31 December 2003:

Transportation equipment	$ 73,504
Machinery and equipment	3,476,433
Furniture and fixtures	729,442
Leasehold improvements	157,138
	4,436,517
Less accumulated depreciation	(2,386,162)
	$ 2,050,355

Depreciation expense for the year ended 31 December 2003 was $766,396. During the year ended 31 December 2003, the Company sold leased equipment with a net book value of $208,439.

(5) ACCRUED EXPENSES

Accrued expenses consist of the following as of 31 December 2003:

Interest	$ 410,681
Payroll and related	263,595
Professional fees	153,568
Stock-based compensation	30,000
Other	377,491
	$1,235,335

(6) DEBT

(a) Loans payable to related parties

In April 2003, the Company entered into a bridge loan with a related party for $500,000. The note bore interest at a rate of 24 *per cent* per annum and matured in June 2003. As of 31 December 2003, all amounts due for principal and interest on this note had been paid. In conjunction with the issuance of this note, the Company issued a warrant to purchase 200,000 shares of common stock. A portion of the gross proceeds was allocated to the warrants based on the relative fair values. The discount was amortised over the expected term of the bridge loan through interest expense and fully expensed in 2003.

(b) Notes Payable

Notes payable consist of the following at 31 December 2003:

Convertible notes payable bearing interest at 10 *per cent*, with interest paid semiannually and principal payable 31 March 2004	$ 1,220,000
Convertible notes payable bearing interest at 14 *per cent*, with interest paid semiannually and principal payable 31 July 2006, net of unamortised discount of $2,591,553	9,774,696
	$10,994,696

During the period from April 2001 through December 2001, the Company issued $2,470,000 of 10 *per cent* Convertible Notes due 31 March 2004 (the 2004 Notes) with interest payable semiannually. The notes are redeemable by the Company on the maturity date provided that the 2004 Notes had not previously been converted to common stock at the election of the 2004 Note holders. The 2004 Notes are convertible at $3.20 per share. The 2004 Notes are secured by the Company's intellectual property rights, as defined. During 2003, a portion of the 2004 Notes were converted into the 2006 Notes (as defined below).

In July 2003, the Company authorised the issuance and sale of 14 *per cent* Convertible Notes due 31 July 2006 (the 2006 Notes) with interest payable annually. The 2006 Notes are redeemable by the Company on the maturity date for 130 *per cent* of their original issuance price ($9,512,500) provided that the 2006 Notes had not previously been converted to preferred stock at the election of the 2006 Note holders. The 2006 Notes are convertible at $3.20 per share. During 2003, the Company received gross proceeds from the offering of $9,512,500, including the conversion of $1,250,000 of the 2004 Notes into the 2006 Notes. Deferred financing costs of $710,329 have been capitalised and are being amortised over the expected term of the notes through interest expense. For the year ended 31 December 2003, interest expense included $327,327, of related amortisation and accretion of the 30 *per cent* redemption premium.

(c) Line of credit

The Company's UK subsidiary has a line of credit with its commercial bank totaling £450,000 bearing interest at a rate of 2.25 *per cent* per annum over the bank's current base rate. The line is secured by the accounts receivable of the Company's UK subsidiary. As of 31 December 2003, no amounts were outstanding.

(7) RELATED-PARTY TRANSACTIONS

In connection with financing activities during 2003, the Company incurred fees of $663,438 payable to an institution co-owned by a member of the Company's board of directors.

In addition, the Company paid two members of the board of directors $125,000, for services outside their normal duties.

(8) STOCKHOLDERS' EQUITY (DEFICIT)

(a) Common stock

The Articles of Incorporation of Sterilox Technologies, Inc. authorise 100,000,000 shares of common stock, par value $0.001 per share.

During the year ended 31 December 2003, the Company issued 550,000 shares of common stock at a price of $1.50 per share in exchange for the purchase of Emerald, a Russian company that held certain patents related to the Company's core technology, which resulted in an increase to intangibles of $825,000.

(b) Equity compensation

The per-share weighted average fair value of the options granted to employees during 2003 was determined to be $0.00 on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	2.5% to 3.6%
Expected life (in years)	5.0
Expected volatility	—%
Dividend yield	—%

Information relative to equity compensation activity is as follows:

	Options	Weighted average exercise price
Outstanding at 1 January 2003	7,428,600	$2.18
Granted	2,696,000	2.81
Forfeited	(1,000)	2.43
Outstanding at 31 December 2003	10,123,600	$2.81
Exercisable at 31 December 2003	6,321,900	$2.15

All stock options granted, exercised and forfeited in 2003 ranged in exercise price from $2.43 to $3.25 per share.

The following table summarises information with respect to stock options outstanding at 31 December 2003:

Exercise price	Options outstanding	Options exercisable	Weighted average life
$0.001	150,000	150,000	2.62
1.660	851,500	851,500	0.49
2.250	4,000,000	4,000,000	0.68
2.425	3,871,500	1,320,100	4.86
3.200	600	300	5.21
3.250	1,250,000	—	6.23
	10,123,600	6,321,900	3.13

(c) Warrants

In 2000, the Company issued warrants to purchase an aggregate of 1,250,000 shares of the Company's common stock at $0.50 per share expiring June 2004 in connection with a prior debt offering.

During the year ended 31 December 2003, the Company issued a warrants to purchase 200,000 shares of the Company's common stock at $3.00 per share to holders of 2006 Notes (see note 6). The warrant expires in April 2008. For the year ended 31 December 2003, the Company recorded expense of $73,800 related to the fair value of the warrant calculated using the Black-Scholes option-pricing method and assuming a risk-free interest rate of 2.93 *per cent* and volatility of 47 *per cent*.

(9) INCOME TAXES

At 31 December 2003, the Company has net operating losses available to offset future income for tax purposes of approximately $39,000,000. Included in the tax carryforward amount is approximately $1,800,000 of preacquisition loss carryforwards. Utilisation of these preacquisition losses will first be applied to reduce to zero any goodwill related to the acquisitions, second to reduce to zero other non-current intangible assets related to the acquisition, and third to reduce income tax expense. During the year ended 31 December 2003, the Company used $628,940 of pre-acquisition losses related to one of its UK subsidiaries which were recorded as a reduction of

goodwill. In 2003, the Company also recognised a tax benefit of $110,697 related to a foreign subsidiary. The net operating loss carryforwards originated in the following jurisdictions:

United Kingdom	$18,111,000
United States	21,101,000
	$39,212,000

In addition, the Company has state net operating loss carryforwards of approximately $14,000,000 that are available to offset future state income for tax purposes.

The federal net operating loss carryforwards will begin to expire in 2011, if not used. The UK loss carryforwards have no expiration. The Company has provided a valuation allowance for the full amount of the tax benefit associated with the loss carryforwards due to the uncertainty surrounding their realisation.

The Tax Reform Act of 1986 (the Act) provides for a limitation on the annual use of net operating loss and research and development tax credit carryforwards (following certain ownership changes, as defined by the Act) that could significantly limit the Company's ability to use these carryforwards. The Company has experienced various ownership changes, as defined by the Act, as a result of past financings. Accordingly, the Company's ability to use the aforementioned carryforwards may be limited. The Company is in the process of determining whether or not these ownership changes, as defined by the Act, have occurred such that these limitations would limit the Company's ability to realise these carryforwards.

Additionally, because US tax laws limit the time during which these carryforwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for federal or state income tax purposes.

(10) COMMITMENTS AND CONTINGENCIES

The Company leases office space, office equipment, and transportation equipment under capital and operating leases.

Future minimum lease payments under noncancelable operating leases having terms in excess of one year and future minimum capital lease payments as of 31 December 2003 are as follows:

	Capital lease $	Operating lease $
2004	7,676	199,386
2005	7,676	289,207
2006	7,037	222,953
2007	—	15,719
Total minimum lease payments	22,389	727,265
Less amount representing interest	(5,529)	
Present value of minimum capital lease payments	(16,860)	
Less current portion of obligations under capital lease	4,987	
Obligations under capital leases, excluding current installments	(11,873)	

Rent expense was $183,570 for the year ended 31 December 2003.

The Company has entered into a manufacturing agreement with a UK supplier through 2008 that guarantees a minimum purchase amount £60,000 annually. The Company cannot reasonably forecast the likelihood of meeting or exceeding this requirement.

(11) EMPLOYEES' PENSION PLAN

Some of the subsidiaries' employees are covered by a defined contribution pension plan. The Company assumes no liability for the financial status of the plan members' accounts other than payment of contributions. The contributions were $135,616 for the year ended 31 December 2003.

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The Directors
PuriCore plc
Wolseley House
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Beaconside
Stafford ST18 0AG

27 June 2006

Dear Sirs

PuriCore plc

We report on the pro forma financial information (the 'pro forma financial information') set out in Part XII of the prospectus dated 27 June 2006, which has been prepared on the basis described below on page 122, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by PuriCore plc in preparing the financial statements for the period ended 31 December 2005. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility solely of the directors of PuriCore plc to prepare the pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the pro forma financial information and to report that opinion to you.

Basis of Opinion

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

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

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

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of PuriCore plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus 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 prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

PRO FORMA STATEMENT OF NET ASSETS – IFRS

The unaudited IFRS consolidated pro forma statement of net assets set out below has been prepared to illustrate the effect of the Placing on PuriCore's net assets and earnings as if the Placing had taken place on 31 December 2005. The information, which is produced for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the actual financial position of the Group. The unaudited IFRS pro forma statement of net assets is compiled on the basis set out below from the audited IFRS consolidated balance sheet of PuriCore as at 31 December 2005, as set out in the IFRS Financial Information in Part XI of this document.

Unaudited pro forma balance sheet

The following is an unaudited pro forma balance sheet of the enlarged Group following the transaction, prepared on the basis and assumptions set out in the notes below and on the basis of the accounting policies to be adopted by PuriCore in preparing its financial statements for the year ending 31 December 2005. Adjustments have been made to reflect goodwill and the Placing. This statement is prepared for illustrative purposes only and, because of its nature, the pro forma statement addresses a hypothetical situation, and therefore does not represent the enlarged group's actual financial position or results

Pro forma balance sheet statement for the enlarged group as at 28 April 2006

			Adjustments		
$'000	*PuriCore plc Net assets as at 28 April 2006 (note 1)*	*Sterilox Technologies, Inc. as at 31 December 2005 (note 2.1)*	*Consolidation (note 2.2)*	*Net proceeds of Placing (note 2.3)*	*Pro forma net assets as at 28 April 2006*
Assets					
Non current assets					
Intangible assets	—	4,534	—	—	4,534
Property, plant and equipment	—	3,649	—	—	3,649
Other loans Receivable	—	783	—	—	783
Other receivables	—	202	—	—	202
Total non current assets	**—**	**9,168**	**—**	**—**	**9,168**
Current assets					
Inventories	—	3,731	—	—	3,731
Trade and other receivables	89	2,883	(89)	—	2,883
Other loans receivable	—	1,775	—	—	1,775
Cash and cash equivalents	—	953	—	45,491	46,444
Total current assets	89	9,342	(89)	45,491	54,833
Total assets	**89**	**18,510**	**(89)**	**45,491**	**64,001**
Liabilities					
Current liabilities					
Trade and other payables	—	(6,676)	—	—	(6,676)
Financial liabilities	—	(2,362)	—	—	(2,362)
Total current liabilities	**—**	**(9,038)**	**—**	**—**	**(9,038)**
Non current liabilities					
Financial liabilities	—	(2,881)	—	—	(2,881)
Provisions	—	(26)	—	—	(26)
Total non current liabilities	**—**	**(2,907)**	**—**	**—**	**(2,907)**
Total liabilities	**—**	**(11,945)**	**—**	**—**	**(11,945)**
Net (liabilities)/assets	**89**	**6,565**	**(89)**	**45,491**	**52,056**
Equity					
Share capital	89	99	1,523	782	2,493
Share premium	—	93,284	17,950	44,710	155,944
Other reserves	—	2,809	(19,563)		(16,754)
Retained earnings	—	(89,651)			(89,651)
Cumulative translation adjustments	—	24			24
Issued capital and reserves attributable to equity holders	**89**	**6,565**	**(89)**	**45,491**	**52,056**
Total equity	**89**	**6,565**	**(89)**	**45,491**	**52,056**

Note 1: Unadjusted balance sheet information

The unadjusted balance sheet information has been extracted from the audited financial statements of PuriCore plc for the period ended 28 April 2006, as set out in part XI of the Prospectus.

The Directors are satisfied that the accounting policies adopted by the Company and Sterilox Technologies, Inc., as presented in the above source, are consistent with those of the Group.

Note 2: Adjustments

The adjustments made in the pro forma balance sheet statement reflect the following items:

2.1 The Sterilox Technologies, Inc. balance sheet information has been extracted from the audited financial statements for the year ended 31 December 2005, as set out in Part XI of the Prospectus. This adjustment reflects the deemed acquisition by PuriCore plc.

2.2 $(19.6)m, being the creation of 'other reserves' arising upon the acquisition by PuriCore plc of PuriCore, Inc. and its subsidiaries.

2.3 An increase in cash of $45.5m (£26.4m) reflecting the net proceeds from the Placing.

Note 3: Adjustments not included in the pro forma balance sheet statement

The following transactions have not been adjusted for in the pro forma balance sheet as they are not directly attributable to the Placing.

- In January 2006, Sterilox Technologies, Inc. issued 6,521,739 shares to an investor for $6,000,000. In conjunction with this sale, Sterilox Technologies Inc. issued 652,174 warrants to purchase the Company's common stock at an exercise price of $0.92.
- In April 2006, Sterilox Technologies, Inc. secured a $7.5 million line of credit with a US commercial bank. The line of credit is secured by the assets of Sterilox Technologies, Inc. as well as ongoing operating lease revenue streams. In April 2006, $4.9 million was drawn down by Sterilox Technologies, Inc. on this line of credit. In June, 2006, an additional $2.6 million was drawn down by Sterilox Technologies, Inc.

In conjunction with this line of credit, Sterilox Technologies, Inc. issued the lender a 3 year warrant to purchase 200,000 shares of common stock at an exercise price of $1.00 per share.

Impact on Earnings

The Placing provides the Group with net proceeds of approximately $45.5m (£26.4m) (after the deduction of commissions, fees and other expenses payable), which the Group intends, but is not obliged, to use to pay down certain outstanding debt. The Group intends to use the remainder to provide funds for working capital requirements and capital expenditure programmes.

If the Placing had taken place on 1 January 2005, the Company's consolidated profit and loss account would have been impacted. On the basis that proceeds had been received and used, in part, to pay down debt outstanding at that date, the finance costs would be reduced and finance income would be increased. Consequently, the loss for the year would be reduced.

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27 June 2006

Dear Sirs

1 BACKGROUND AND INTRODUCTION

Cambridge Consultants Ltd ("Cambridge Consultants") is a leading international technology consulting company, which serves a wide client base including, medical product, medical device, drug delivery device, medical diagnostics, pharmaceutical and biotechnology companies. It employs specialists with knowledge of science, technology, engineering, product development, markets and business issues in these industries. Cambridge Consultants has conducted technical due diligence studies associated with mergers, acquisitions, flotations and other financing exercises.

Nomura Code Securities Limited, on behalf of the Directors of PuriCore plc, has instructed Cambridge Consultants to prepare an independent technical Expert's Report in connection with the Placing and admission to the Official List of the Financial Services Authority and to trading on the market for listed securities of the London Stock Exchange plc. This report covers certain aspects of PuriCore plc and its wholly owned subsidiaries PuriCore, Inc. and PuriCore International Ltd., formerly known as Sterilox Technologies, Inc. and Sterilox Technologies International, Ltd. respectively, ("PuriCore" or the "Company") business namely:

- the technical merits of the Company's current products, and comment on its pipeline and technology;
- the Company's business plan as it relates to its technology, including the critical path and timescale to commercial exploitation and any projections of the market potential for the Company's leading products; and
- the risk factors which might affect the Company's business plan.

In preparing this report, Cambridge Consultants has met with or interviewed certain of the Company's staff, officers and manufacturers. We undertook reviews of certain documentation prepared or held by the Company, including project plans, R&D reports, regulatory correspondence, manufacturing documentation, market reports and publications. These were augmented by internal database searches, use of in-house know-how as well as interviews with healthcare professionals and customers in the US and UK. We visited the Company's facilities in Radnor, US and Stafford, UK.

This report has been prepared based upon information that was furnished by PuriCore at the time of preparation of this report. Cambridge Consultants has no reason to doubt the veracity of the information provided but has only verified it to the extent identified above. Changes in circumstances may render such information invalid at any time or may materially affect conclusions reached herein.

Cambridge Consultants does not express any opinion as to PuriCore's ownership or rights to use intellectual property (if any) nor the scope, validity or enforceability of any such intellectual property nor, where we refer to the Company's agreements, do we express any opinion as to the legal validity or enforceability of those agreements nor on any aspect of the Company's financial record or future financial prospects or performance. This report is limited to the matters set out above and Cambridge Consultants is not advising generally on the merits or otherwise of an investment in the Company.

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus 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 Prospectus in compliance with Annex I, item 1.2 in Appendix 3 of the Prospectus Rules.

2 COMPANY OVERVIEW

The primary operating company of PuriCore plc was incorporated in 1997 and is a product based life science company focused on the development and commercialisation of its proprietary platform technology, which produces a natural biocide, hypochlorous acid, on-site and on-demand, by the controlled electrolysis of brine.

Although the biocide technology has wide applications, PuriCore's stated strategy is to focus on a small number of base business areas, which it considers to be commercially attractive. Longer term the Company expects to produce new products based on its platform technology to address its current business areas as well as addressing new markets.

The Company is already generating revenue having placed around 2,000 of its systems. Access to market is through direct sales and distributors. The systems primarily address needs in the reprocessing of medical devices, the food retail market, and the dental market; they include:

- The Maxigen, Midigen and S.A.F.E.R. II Systems are mainly targeted at the UK endoscopy reprocessing market. Since their launch over 125 Maxigen units, around 75 Midigens and over 135 S.A.F.E.R. II systems have been placed.
- The 2100 System is positioned mainly for use in US food retail stores to improve the shelf life of fresh produce, flowers and seafood with over 800 systems installed by the Company since its launch in 2004. The 2100 System is also used in the US hospitality industry for use in food preparation areas and for environmental remediation.
- The Dental System is a desktop unit producing biocide targeted at the dental surgery market to treat dental unit water lines and hard surfaces. Since its launch, over 900 units have been installed in both the US and Europe.

The Company proposes to seek three 510(k) approvals from the US Food and Drug Administration (FDA) for the use of its biocide in endoscopy reprocessing, as a wound cleanser and in further oral applications. In addition, the Company will be seeking to market further its products in environmental remediation and water treatment.

The Company has both offices and laboratories in Radnor, Pennsylvania (US) and in Stafford (UK). The experienced Senior Management team is primarily based in the US. Manufacturing is predominately subcontracted to third parties in the US and UK.

3 STERILOX TECHNOLOGY

3.1 Underlying chemistry

Sterilox Solution is a fast acting, natural broad-spectrum biocide for room temperature disinfection. It contains a mixture of active species derived from the electrolysis of common salt (sodium chloride) solution. The principal active species in Sterilox Solution is the available free chlorine (AFC) in the form of hypochlorous acid (HOCl) which is made by dissolving chlorine gas in water. This species is present in the pH range 5 to 7 but readily dissociates into hypochlorite ions ($^{-}$OCl) at higher pH and chlorine gas at lower pH. Sterilox Solution is therefore maintained within the pH range 5 to 7 in order to maximise the concentration of HOCl, which is a considerably more effective disinfectant than $^{-}$OCl.

Low pH → Neutral → High pH

$$Cl_2(g) + H_2O(l) \rightleftharpoons HOCl(aq) + HCl(aq) \rightleftharpoons 2H^+(aq) + Cl^-(aq) + {}^-OCl\,(aq)$$

Sterilox Solution also contains sodium chloride, sodium hypochlorite and sodium chlorate from the electrolysis process.

Hypochlorous acid is a very weak and unstable acid. Since this instability makes HOCl difficult to store, hypochlorite salts are widely used as bleaching agents and disinfectants.

The mechanism of disinfection by HOCl is partially understood through studies of the action of human phagocytic neutrophils, in which the enzyme myeloperoxidase generates HOCl from hydrogen peroxide (generated during the oxidative burst) and chloride ions. HOCl is thought to play an important role in bacterial killing in humans. HOCl has been shown to be a damaging oxidant with little or no specificity and bacteria that have been ingested by phagocytes appear to experience a rapid inhibition of cell division. On exposure to HOCl in the form of Sterilox Solution, *E. coli* have been shown to swell and, within 5 minutes, their DNA, RNA and proteins are destroyed. For HOCl, oxidative reactions are fast and tend to be non-specific. HOCl reacts with lipids and proteins and is the most bacteriocidal oxidant known to be produced by a neutrophil.

3.2 Electrolytic cell

The electrolytic cell comprises two cylindrical electrodes, an exterior anode tube and central rod cathode, separated by a semi-permeable ceramic membrane. Both electrodes are made from titanium and the anode is coated with an electrolytically active, catalytic coating to accelerate the chloride to chlorine reaction above other competing anode reactions and also protect it from corrosion by the Sterilox Solution. The ceramic membrane enables separate anolyte and catholyte flows, whilst allowing the movement of molecules and ions.

Saline solution enters the cell in two separate flow paths and is discharged from the anode and cathode chambers as anolyte and catholyte respectively. Chlorine gas is generated in the anode chamber, which dissolves in water to create HOCl, whilst sodium hydroxide (NaOH) and hydrogen gas are generated in the cathode chamber; the output solution containing HOCl is therefore predominantly anolyte. The overall key reaction is as follows:

$$2NaCl(aq) + 2H_2O(l) \rightarrow Cl_2(g) + H_2(g) + 2NaOH(aq)$$

The process is controlled by various parameters including the current, conductivity and flow rate across the ceramic membrane. The System contains a varying number of cells depending upon the application and requirements. The Company has shown that a cell has been operated up to the equivalent of approximately 5,000 hours.

The Company out-sources the manufacture of the cell and the ceramic membrane, critical to the functioning of the cells, to third party suppliers.

3.3 Microbiological efficacy

The Company and its collaborators have undertaken a broad series of studies to demonstrate the efficacy of Sterilox Solution as a bacteriocide, virocide, sporocide and fungicide; it has been shown to have biocidal activity against various specific micro-organisms relevant to its key application areas (Table 1).

Table 1 Microbiocidal activity of Sterilox Solution

Species	*AFC (ppm)*	*Measured logarithmic reduction in colony or plaque forming units (CFU or PFU) and comments*†‡*
Bacteria		
Acinetobacter baumannii	200	6
Escherichia coli	144	> 6
	200-220	> 5
	180-200	Destruction of DNA, RNA and proteins
Enterococcus species	144	~ 8
	144	> 5
	200-220	> 5
Helicobacter pylori	144	> 5
Mycobacterium avium-intracellulare	144	> 5
	180-200	> 4
Mycobacterium chelonae	144	> 6
	180-200 diluted to ~ 4 ppm	Total kill within 5 minutes exposure (> 4 CFU within 2 minutes)
Mycobacterium terrae	144	5
Mycobacterium tuberculosis	144	> 5
	180-200	> 3
Pseudomonas aeruginosa	144	~ 8
	144	8
	200-210	> 6
	200-220	> 5

Species	*AFC (ppm)*	*Measured logarithmic reduction in colony or plaque forming units (CFU or PFU) and comments*†‡*
Staphylococcus aureus (Methicillin resistant *Staphylococcus aureus*)	200 144 200 200-220	4 > 7 Passed AOAC Use Dilution Test > 5
Bacterial Spores		
Bacillus cereus	144	6
Bacillus subtilis	24	2
	144	> 7
	144	6
	200-210	> 6
	240	> 5
Clostridium difficile	144	> 5
Viruses		
Adenovirus type 4	180-200	Inactivated
Bacteriophage MS2	175-200	> 5
Hepatitis A (HAV)	10-200	Inactivated
Herpes virus type 1	180-200	Inactivated
HIV-1	144	> 4.5
Norovirus	175-200	> 4
Poliovirus type 1	180-200	~ 3
Poliovirus type 2	144	> 4.5
Fungi		
Aspergillus niger	144	6.8
	144-176 diluted to ~ 6-7	> 4 reduced > 2
Candida albicans	144	> 5
	144-176 diluted to ~ 6-7	> 4 reduced to > 2

* Logarithmic reduction of 4 is equivalent to 99.99 *per cent* reduction in bacterial count
† Logarithmic reduction of multiple organisms has been shown to be reduced by increasing organic load
‡ Exposure times, temperature and test environment are variable across these tests.

It has been proposed that HOCl is an effective disinfectant, partially because most micro-organisms do not possess specific enzymatic mechanisms for detoxification of HOCl, as they do for other oxidants. However, resistance to HOCl by a strain of *Salmonella* has been described at 28 ppm.

3.4 Safety

A number of independent *in vivo* toxicity tests have been carried out on Sterilox Solution, namely mutation, skin sensitisation, skin irritation, primary dermal irritation, eye irritation and acute oral toxicity (fixed dose method) tests. No evidence of mutation activity, skin sensitisation or irritation, erythema, oedema or ocular reaction was observed in these tests and no deaths or macroscopic abnormalities were reported in the acute oral toxicity study.

Studies on levels of residues released from Sterilox Solution treated equipment have been undertaken. They indicate that there is no detectable release of free chlorine, chlorate, and chloride as a result of the use of Sterilox Solution. The level of chlorine, chlorine dioxide and ozone gases emitted by the Sterilox Systems are reported to be undetectable.

The results of these tests indicate that Sterilox Solution is non-toxic. Sterilox Solution is a non-irritant and does not sensitise operators. It has been stated that, for all practical purposes, the health risks to the operator arising from exposure to Sterilox Solution and diluted Sterilox Solution are minimal although it is recommended that users take suitable precautions to prevent dermal exposure when handling equipment exposed to Sterilox Solution.

Hypochlorous acid is a naturally occurring biocide that has been shown to have broad microbiocidal efficacy without exhibiting toxic or irritant properties. In our view, the Company's technology offers an attractive source of this disinfectant.

4 KEY PRODUCT OFFERINGS

4.1 Sterilox Systems

Sterilox Systems have similar mechanisms of operation to generate the Sterilox Solution.

Water is usually passed through a water softener and then held in a process water buffer zone until it is required for the production of brine. In certain applications, potable water is also stored and used to dilute Sterilox Solution to produce Sterilox Rinse Water. Sodium chloride is then dissolved in the softened water to make a concentrated brine solution and a solution of constant salinity is created by dilution of this solution using further softened water. In the case of the bench-top Dental System, pre-made brine solution is used.

The resulting solution passes into the electrolytic cell(s) for electrolysis in two separate flows, producing catholyte and anolyte solutions. The current is adjusted to achieve different levels of AFC and the Systems also control the pH of the Sterilox Solution produced. Undissolved gases are vented from the System.

Catholyte which is not recirculated is directed to waste, whilst the anolyte solution is passed to a buffer and quality subsystem, from which, if it fails to meet the required standards, it is also passed to waste. If the anolyte is within specification, a small quantity of corrosion inhibitor may be added and the Solution is then passed to an output storage tank from where it can be dispensed.

Throughout the generator, there are sensors and valves, which detect if the operation is out of specification at any stage. Sterilox Solution is generated on-site and on-demand with a recommended shelf life of 24 hours during which time the AFC falls by around 5 *per cent*.

4.1.1 Maxigen and Midigen

The Maxigen was launched by the Company in 1999 and serves to generate disinfectant for use in endoscopy reprocessing applications. The System consists of eight cells, which can produce approximately 200 litres of Sterilox Solution per hour at a HOCl concentration of 200 ppm. The System has been predominantly available in the UK with over 125 system installations to date.

Sterilox Rinse Water is also produced consisting of 2 *per cent* Sterilox Solution, which has been diluted using potable water. The control system monitors the age of the Solutions and sends them to waste if the Solutions are more than 24 hours old. To ensure fresh Sterilox Solution and Sterilox Rinse Water are available as required the system is able to conduct an auto disinfect cycle and automatically start disinfectant production at a predetermined time.

Both the Sterilox Solution and the Sterilox Rinse Water are stored within the machine and dispensed on-demand to an automatic endoscope reprocessor (AER). Two S.A.F.E.R. II Systems can be supplied with disinfectant from one Maxigen. A solution of corrosion inhibitors is also added to the stored Sterilox Solution.

The Company is working on a next generation system that is expected to supersede the Maxigen instrument in H2 2006.

The Midigen system also generates Sterilox Solution at a concentration of 200 ppm for use in endoscopy reprocessing suites. The instrument consists of 4 cells and is capable of producing 100 litres of Sterilox Solution per hour to serve one S.A.F.E.R. II System and also produces Sterilox Rinse Water. Both the Sterilox Solution and the Sterilox Rinse Water can be automatically dispensed on-demand. To date, 75 Midigen systems have been installed since the launch of the system in 2003, predominantly in the UK.

By offering both the Maxigen and Midigen systems, the Company is able to serve high and lower volume endoscopy reprocessing suites.

The manufacture of the Maxigen and Midigen systems is outsourced in the UK. The Maxigen is manufactured by a third party, which holds the CE Mark. The Company holds the CE Mark for the Midigen and the next generation Maxigen System, and also plans to out-source the manufacture of this System. This offers the Company significant scale-up in manufacturing of its Systems, as required.

4.1.2 2100 System

The 2100 System, used principally in the food application area, was launched in 2004. The System contains 4 electrolytic cells and offers three dispensing options – automatic to a plumbed location, manual via hand held wand or continuous via remote dosing pump. The user can select the concentration of HOCl from around 50 ppm to 200 ppm. The 2100 System is available in the US and to date over 800 Systems have been installed.

Manufacture of the 2100 System is outsourced to two separate companies in the US.

4.1.3 The Dental System

The Dental System was launched by Optident Limited (Ilkley, UK), the Company's distribution partner, in the UK in 2002 and by the Company's previous distribution partner, Ultradent Products, Inc. (Utah, US), in the US in 2004. It is used for the treatment of dental unit water lines (DUWLs) and for hard surface disinfection. Since commercial launch over 900 Systems have been installed.

The System contains one electrolytic cell and, in contrast to the other Systems, the Dental System has a reservoir, which is filled with electrolyte solution supplied by the Company. The System produces HOCl at a concentration of 200ppm. Biofilm removal from the DUWLs requires 4 hours-contact time at this concentration, whilst for maintenance of the DUWL Sterilox Solution must be diluted to 4ppm to 5ppm.

The Dental System requires minimal space within the dental surgery. The available free chlorine in the Sterilox Solution can be tested by dental staff using a strip test kit in order to check that AFC is at 200ppm.

PuriCore uses two US companies for the contract manufacture of the Dental Systems. The electrolyte solution is also produced by third parties.

4.2 S.A.F.E.R.

The S.A.F.E.R. II (also referred to as the S.A.F.E.R.) is an AER, which was initially launched by the Company in 2004. The System functions as a washer-disinfector for flexible endoscopes and either one or two endoscopes can be reprocessed per cycle. The System undertakes wash, rinse, disinfection, final rinse and drying cycles. Sterilox Solution and Sterilox Rinse Water (from either a Maxigen or a Midigen) are directly dispensed into the S.A.F.E.R. II and the System flushes all products through the channels of the endoscope during each stage of the cycle. To date, more than 135 S.A.F.E.R. Systems have been installed.

The SteriTrax data logging system provides a means of interfacing directly to a S.A.F.E.R. II instrument, as well as capturing and storing the data transmitted by the system. The main function of the SteriTrax System is to record wash cycles, although it also has the ability to report on historical wash data.

A new S.A.F.E.R. version, which is expected to offer improved reliability and functionality, is in development and is anticipated to be launched in H2 2006.

The Company holds the CE mark for the S.A.F.E.R.; it is manufactured by a single source in the UK.

4.3 Aqualox System

The Aqualox System can be used to treat potable water sources and Legionella. The System produces up to 200 litres of Aqualox Solution per hour at a concentration of 200 ppm and is dosed into water supplies to provide a residual level of 1 ppm. The Aqualox System differs to the other Sterilox Systems, as the pH of the output biocide is not controlled.

Seven Systems are currently generating revenue in the field. System manufacture has been out-sourced to a third party in the UK.

The Company states that the levels of chemical contaminants in potable water treated with Aqualox are well below the levels listed in the Water Supply Regulations 1989, which incorporate the requirements of the EC Drinking Water Directive 98/83/EC on the quality of water intended for human consumption.

4.4 Sterilox communication system

Sterilox Systems can be remotely monitored, which provides the Company with remote access to the generator's operational reports and enables the staff to perform remote monitoring and diagnostics.

A modem-based communication system, the Sterilox Central Monitoring Unit (CMU), is utilised with the Maxigen and Midigen Systems in the UK. Upon a System alarm being raised, the end user can make a call to the PuriCore Service Department and an engineer can then connect to the System via a telephone line enabling the control and diagnosis of most alarms.

We understand that a number of 2100 Systems in the field also have communication systems, some of which are wireless.

5 COMPETING DISINFECTANTS

There are a number of alternative disinfectant chemicals (Table 2), as well as products based on the electrolysis of brine, which may compete against Sterilox Solution.

5.1 Chemical disinfectants

Table 2 Chemical disinfectants

Disinfectant	*Advantages*	*Disadvantages*
Chlorine (Cl_2) gas (dissolved in solution)	• Economical • Effective biocide	• Hazardous & corrosive requiring special leak containment and scrubber facilities
Sodium (NaOCl) and calcium ($Ca(OCl)_2$) hypochlorite salts	• Release AFC in water, which is an effective biocide • Easier to store than chlorine gas	• More expensive than Cl_2 • NaOCl is a corrosive • $Ca(OCl)_2$ reacts with moisture and heat • Less effective at high pH
Chlorine dioxide (ClO_2), dissolved in water to form predominantly chlorite (ClO_2^-) ions	• Extremely selective oxidant • More effective than Cl_2 in inactivating some viruses & cysts • Easy to generate • Biocidal activity pH independent	• Less effective than Cl_2 towards rotavirus and *E. coli* • Generated on-site, explosive hazard & decomposes in sunlight • Irritant to skin, eyes & the respiratory tract
Chloramines (e.g. monochloramine, NH_2Cl)	• More stable & long lasting than Cl_2	• Less effective than Cl_2 for inactivation of *E. coli* & rotaviruses; organic chloramines are even less effective
Quaternary ammonium compounds ('quats')	• Odourless • Stable at high temperatures • Non-corrosive & non-irritating	• Effective at pH 6-10 • Generally not very effective against viral bacteriophages
Ozone gas (O_3)	• Most effective disinfectant for all types of micro-organism • Very short exposure time • Biocidal activity pH independent	• Leaves no residual (which leads to biological re-growth problems) • Highly corrosive and toxic • Must be generated on-site by expensive equipment as it decays rapidly
Hydrogen peroxide (H_2O_2)	• Powerful oxidant	• High concentrations are required • Contact with personnel is dangerous
Peracetic/ peroxyacetic acid ($C_2H_4O_3$)	• Strong oxidant • Able to deactivate a large variety of pathogenic micro-organisms, viruses and spores	• Expensive • Activity affected by pH and temperature • Irritant to the eyes, skin and respiratory tract • Toxic at high concentrations
Glutaraldehyde ($C_5H_8O_2$)	• Sporocidal, bacteriocidal and virucidal • Relatively inexpensive • Stable	• Slow acting against bacterial spores and mycobacteria • Irritant to the eyes, skin and respiratory tract

There are also a number of non-chemical disinfection methods appropriate for sanitising applications which also compete indirectly with HOCl, including irradiation with UV light, ionising radiation, extreme heat, high pressure, filtration and ultrasonication. These methods are only appropriate for certain applications, depending upon the material to be disinfected and the environment in which it is used, which will determine the level or dosage which can be used and therefore the effectiveness of the treatment.

5.2 Disinfectants based on the electrolysis of brine

There are a number of companies, which also supply products manufactured by the electrolysis of brine. We consider those listed below as competitors to the Company as the solutions claim to be pH-neutral.

- Empowered Water™ (Electric Aquagenics Unlimited (EAU)) – marketed for various food retail applications, the treatment of drinking water and surface cleaning. EAU has a number of systems for on-site generation of HOCl, and offers a near neutral pH 'Primacide' solution, where HOCl is the active ingredient.

- MIOX Generators (MIOX Corporation) – MIOX systems generate a solution, which consists of hypochlorous acid and other chlor-oxygen species at a near neutral pH. The MIOX electrolytic cell uses a process to separate solutions generated at the anode from those generated at the cathode. The products offered range from large generators to a handheld portable device, which serve various markets including disinfection of drinking water, wastewater, swimming pools and food processing.
- Suprox® (Process Technology Associates (PTA)) – Suprox solutions are sold pre-made and bottled or on wipes. In the electrolytic production process, catholyte and anolyte solutions are kept separate inside the electrolysis cell and blended later to achieve a neutral pH. PTA is focused on medical applications, although it claims that Suprox is also suitable for other applications including food processing, swimming pools and disinfection of drinking water.
- Dermacyn® (Oculus Innovative Sciences) – Microcyn® Technology is a pH-neutral solution containing oxidising species. The solution, which is sold bottled rather than generated on-site, is the basis of its wound management products.

Cambridge Consultants views that these alternative technologies and the companies behind them, although an endorsement for the use of HOCl, could impact on the Company's business plan.

6 BASE BUSINESSES

6.1 Automated endoscopy reprocessing

Endoscopy is a broad term describing internal examination of the body using a rigid or flexible endoscope, which is typically introduced through a natural opening such as the mouth or anus. The most common endoscopic procedures examine the oesophagus, stomach and intestines.

Flexible endoscopes are heat labile and cannot be decontaminated in an autoclave between patient procedures. In the UK high level disinfection, rather than sterilisation, is typically used. Although endoscopy induced infections are rare (one in 1.8 million for gastrointestinal endoscopy procedures), procedural errors in endoscope decontamination are typically to blame for such occurrences.

The process for decontaminating flexible endoscopes consists of manual cleaning using a compatible detergent followed by automatic disinfection, rinsing and drying utilising a liquid chemical germicide and an automatic endoscope reprocessor (AER). In the UK, manual disinfection is no longer an acceptable alternative.

6.1.1 Product merits and status

The Company provides the Maxigen and Midigen disinfectant Systems for endoscopy reprocessing as well as S.A.F.E.R. II, the Company's single door AER system.

It has been stated that the ideal solution for high level disinfection of flexible endoscopes would be:

- effective against a broad spectrum of contaminating organisms, including blood-borne viruses and prion proteins;
- compatible with equipment used, including endoscopes, accessories and AERs;
- user friendly, being safe and non-irritating; and
- environmentally friendly upon disposal.

The Sterilox Solution offers a number of merits including:

- a broad spectrum disinfectant that has rapid microbiocidal efficacy;
- a single-use, non-fixative disinfectant that is non-irritating and has minimal toxicity;
- low operational costs;
- additional personal protective equipment not required;
- reduced staff sickness compared to glutaraldehyde;
- no COSHH or health and safety implications;
- compatibility with a number of AER systems produced by other manufacturers; and
- non-hazardous to the environment.

Maxigen, Midigen and S.A.F.E.R. II are promoted directly in the UK and, in the near term, the Company plans to sell, either directly or via distributors, in France and Germany. The Company proposes to establish a wide network of distributors to cover other European countries, such as Italy and Spain, as well as the international regions.

The current business model for the Maxigen and Midigen Systems is an operating lease model. In contrast, the Company operates a capital purchase model for the S.A.F.E.R. II system.

Currently, System installations have been predominantly based in the UK but the Company is looking to expand further into Europe and, when a new 510(k) approval of its Sterilox technology is obtained, into the US.

We view the Company's key product offerings in this application area to be its Systems that generate the Sterilox Solution; Sterilox Solution offers a number of significant merits, such as safety to the patient, staff and environment, in addition to its broad microbiocidal efficacy and its compatibility with a number of alternative AERs.

6.1.2 Market opportunity

6.1.2.1 European market opportunity

Cambridge Consultants estimates that the total number of flexible endoscopic procedures performed by National Health Service (NHS) hospitals in the UK was approximately 1.6 million for the 2004/2005 financial year. Historically, a progressive and sustained increase in endoscopic procedures has been observed and it has recently been reported that the procedure numbers are still increasing. As a consequence of the NHS Bowel Cancer Screening Programme commencing in 2006, the proportion of flexible sigmoidoscopy and colonoscopy procedures is also expected to increase.

We estimate that the total number of flexible endoscopic procedures being performed within the four largest countries in Western Europe, namely Germany, France, United Kingdom and Italy was around 7 million in 2005.

Across Europe, the market for liquid chemical germicides, which includes the use of high level disinfectants for use in endoscopic reprocessing, was estimated to be worth $65 million in 2004 and is predicted to reach approximately $75 million in 2009 (Compound Annual Growth Rate ("CAGR") of almost 3 *per cent*). The market is classed as being highly dynamic with preferential use of disinfectants being country specific and changing over time.

Glutaraldehyde was previously the most frequently used disinfectant in endoscopy units within the UK. However, in recent years a number of recommendations or changes have been imposed on the UK endoscopic disinfection market, which are driving the market away from fixative disinfectants. As a result, there has been significant opportunity for non-fixative disinfectants, such as Sterilox Solution, in the UK endoscopy market place. It has been independently recognised that both Tristel Solutions Limited and PuriCore have a major presence in the UK liquid chemical germicides market, with a recent report stating that the two companies contributed to more than 75 *per cent* of the total UK market. In 2006, the Company is aiming to capture additional market share in the UK.

In 2005, the major mainland European countries using glutaraldehyde and its derivatives were reported to include Germany and Italy. It has since been reported that the use of glutaraldehyde has been withdrawn from the French and Italian markets due to associated health and safety concerns. In France, peracetic acid dominates the liquid chemical germicide market. As a result of the withdrawal of glutaraldehyde, there is increased opportunity for alternative products, especially in the Italian market.

With the anticipated growth in the use of minimally invasive procedures, the European market for AERs is also expected to increase by a CAGR of almost 9 *per cent* from $58 million in 2004 to $89 million in 2009. The German market for AER systems is the largest contributor to this market, followed by the UK, France and Italy.

Within this market there are increasing requirements for high-tech, high-throughput systems. A pending change in European standards is expected to favour automated washers over manual pre-cleaning, which will open up a market for fully automated systems that will encompass pre-cleaning, washing, disinfecting and drying stages. There is also a preference for pass through washers and disinfectors in the UK. However, the supply of AER systems across Europe is highly competitive. Key players in the UK include Wassenburg Medical Devices (supplied by DAWMED International Limited), PuriCore, Lancer UK Limited, Labcaire Systems Limited, MMM Group and STERIS® Corporation.

The Company offers a suite of endoscopy reprocessing systems in the form of its Maxigen, Midigen and S.A.F.E.R. II Systems. The European AER market is highly competitive and, in our opinion, the Company's plan to increase AER market share in the UK is challenging. We view the Systems that generate the Sterilox Solution to be the Company's key product offerings in this market.

6.1.2.2 US market opportunity

It has been estimated that more than 10 million endoscopic procedures are performed in the US per annum. The FDA, which has regulatory jurisdiction over high-level disinfectants intended for use in reprocessing reusable heat-sensitive medical devices, has approved a number of high level disinfectants. Examples include glutaraldehyde-based formulations, OPA products and peracetic acid based solutions plus the original approval granted to the Company for its disinfectant at a relatively high HOCl concentration. As of May 2005, no chlorine dioxide preparations had been approved by the FDA under the general claim for processing reusable medical devices.

In 2004, it was estimated that the US market for liquid sterilants and disinfectants was worth nearly $122 million. The market is anticipated to grow by a CAGR of 7 *per cent* to reach almost $171 million in 2009. Key drivers for the market are the increased use of minimally invasive devices, such as endoscopes, in both diagnostic and treatment procedures along with an increasing use of alternatives to glutaraldehyde, due to the health issues for hospital staff and the environment associated with using the product. As a result of the latter, the market for glutaraldehyde products is expected to observe a CAGR of less than 1 *per cent* between 2004 and 2009 whereas the market for alternatives to glutaraldehyde is expected to grow by a CAGR of almost 10 *per cent* over the same period. The FDA has recently recalled Cidex® OPA (Advanced Sterilization Products) due to anaphylactic reactions being related to the use of cystoscopes that have been treated with the disinfectant. As a result Advanced Sterilization Products has since contraindicated the use of the disinfectant for reprocessing urological instruments to be used on patients with a history of bladder cancer.

In 2004, STERIS 20™ Sterilant (STERIS® Corporation) held the largest share of the US market for liquid sterilants and disinfectants with almost a 62 *per cent* market share. In the same year, glutaraldehyde held a market share of almost 32 *per cent*.

The US market for endoscopy reprocessors was estimated to be worth just over $54 million in 2004, with the market for systems suitable for reprocessing flexible endoscopes being valued at nearly $38 million. The overall US endoscope reprocessor market is expected to grow by a CAGR of just over 7 *per cent* to reach approximately $77 million in 2009 and similarly the US market for flexible endoscope reprocessors is anticipated to increase by a CAGR of almost 8 *per cent* to reach approximately $55 million in 2009.

In 2004, the market leader for flexible endoscope reprocessors was reported to be Minntech Corporation with a 38 *per cent* market share. In the same year, STERIS® Corporation was estimated to have a 26 *per cent* market share and Custom Ultrasonics, Inc. 25 *per cent*.

If the US follows the trend occurring in Europe, where the use of glutaraldehyde is being phased out, it will create, in our view, opportunities for alternative disinfectant technologies.

6.1.3 Disinfection competition

Across Europe, the use of glutaraldehyde is being phased out due to the potential health hazards to healthcare personnel. This has resulted in significant growth opportunity for other chemistries that have good biocidal efficacy along with having a good safety profile, such as hypochlorous acid and chlorine dioxide. Most alternatives can be categorised as either disinfectants based on alkylating agents (Table 3) or those based on oxidising agents (Table 4).

Table 3: Disinfectants based on alkylating agents

Product (Examples)	*Advantages*	*Disadvantages*
Glutaraldehyde (Cidex® (Advanced Sterilization Products), ASEP (Galen Ltd) & Totacide 28 (Coventry Chemicals))	• Compatibility with Olympus, Pentax and Fujinon endoscopes • Compatibility with AERs (except for the STERIS System 1™) • Not inactivated by organic matter	• Adverse effects for environment & hospital staff, including dermatitis, conjunctivitis, nasal irritation & asthma • Fixative, potential to cross-link protein material, additional concern with prions • Adverse effects for patients as insufficient rinsing can result in colitis, abdominal cramps and bloody diarrhoea • Not all atypical Mycobacteria killed using standard contact times
Ortho-phthalaldehyde (OPA) (Cidex® OPA (Advanced Sterilization Products))	• Superior mycobactericidal activity compared to glutaraldehyde • Lower vapour pressure (practically odourless) • Compatibility with endoscopes and AERs • Not inactivated by organic matter	• Less sporicidal activity than glutaraldehyde • Longer contact times required to kill glutaraldehyde-resistant Mycobacteria • Fixative • Adverse reactions reported for urology patients • Vapours can cause irritation to the respiratory tract and eyes; product identified as a potential cause of occupational asthma • Stains skin, clothing, devices & instruments

Glutaraldehyde containing mixtures also exist.

Table 4: Disinfectants based on oxidising agents

Product (Examples)	*Advantages*	*Disadvantages*
Peracetic Acid (Nu Cidex (Advanced Sterilization Products), STERIS 20™ Sterilant (STERIS® Corporation), PeraScope (Medichem) and Aperlan (Lancer UK))	• Similar or better microbiocidal activities compared to glutaraldehyde • Does not form biofilms • Microbial resistance not reported • Not inactivated by organic matter	• Solutions are classed as irritants • Can cause damage to endoscopes
Chlorine Dioxide (Tristel Multi-Shot & Single-Shot solutions (Tristel Solutions Limited))	• Broad-spectrum oxidising agent with rapid microbiocidal activity	• Classified as an irritant • Solution preparation errors can occur • Damaging to AER systems • Causes functional damage to endoscopes • Inactivated by organic matter.
Electrolysis of Brine (Cleantop® WM-S at pH <3 (CBC Co. Ltd.) & Suprox® (Medipure))	• Rapid microbiocidal activity • Not classified as an irritant and has minimal toxicity • No sensitisation to EAW was reported after 2.5 years use in Japan • Safe for the patient, staff and environment	• Inactivated by organic matter • Adequate ventilation required to reduce toxicity of chlorine gas emissions, which increases with lower pH solutions • Causes functional damage to endoscopes

Furthermore, a number of additional disinfectant options exist, such as peroxygen biocides, quaternary ammonium compounds and amine compounds/glucoprotamin, although their use is limited due to deficiencies in their microbiocidal spectrum.

6.1.4 Regulatory

The Maxigen, Midigen and S.A.F.E.R. II Systems are CE Marked and therefore approved for marketing within the EU.

The Company originally obtained FDA 510(k) approval for the use of its high level disinfectant system in endoscope reprocessing in the US in 2002 but the HOCl concentration approved was considered by the Company as not marketable for its intended use at that time and a decision was made not to launch the System. The Company is proposing to submit a new 510(k) approval with a lower HOCl concentration in 2006 for the use of its Sterilox System in endoscopy reprocessing in the US. We consider that some system modifications may be required for resubmission. If approval is granted, the Company aims to launch the technology in the US in 2007.

In the UK, the Health Technical Memorandum (HTM) 2030 provides guidelines pertaining to endoscope washer disinfectors, such as the S.A.F.E.R. II System. These guidelines are expected to be superseded by the prEN 15883 standards that are due to be published in 2006.

6.1.5 Risks

Although the Maxigen, Midigen and S.A.F.E.R. II Systems are in the field, there are a number of outstanding issues that the Company still faces.

Compatibility issues have been reported when reprocessing endoscopes supplied by two key endoscope manufacturers. The Company has sought to address this with the introduction of the E-Wipe, which provides a PTFE coating that can be applied to the surface of the endoscope and act as a barrier to the disinfectant.

We understand that no AFC measurement of the final Sterilox Solution is undertaken and that independent monitoring of Sterilox Solution generation has not been implemented. The lack of these measurements could result in a solution that is out of specification being used in the AER system. We understand that the Company is working towards implementation of an independent monitoring system.

We have been informed that no AER systems are considered to be totally compliant to HTM 2030, including the S.A.F.E.R. II. We understand that the new European standards (prEN 15883) are expected to be based on the HTM 2030 recommendations and that full compliance to the prEN 15883 standards may be expected within one to two years after publication. The European market will be restricted if alternative systems are deemed compliant. We understand that PuriCore is working towards achieving compliance.

In addition, we understand that the best practice for endoscope reprocessing involves the use of a pass-through AER, which is expected to gain market share over single door machines. Using a pass through AER ensures segregation between dirty and clean areas (and devices) thereby reducing the risk of an unprocessed endoscope being used on a patient. This does not favour the S.A.F.E.R. II, which is a single door machine.

The FDA may require the Sterilox System to undergo system modifications in order to provide 510(k) approval, which may delay launch of the system in the US.

6.2 Food preparation applications

Application of the Company's technology within the food retail industry to items such as fresh produce, seafood and floral improves the appearance, shelf-life and safety of the products. The Company is focused on selling to supermarkets which use crisping and misting on produce, and have floral departments.

Prior to being put out on the shelves, produce such as leafy greens, carrots and some herbs are crisped to 're-hydrate' them. This practice is usually preceded by removal of any bad leaves, followed by immersion of the produce in a sink filled with water for a few minutes. The produce is then left in a cooler overnight before being put on the shelves. Often, any remaining produce from the previous day is recrisped, such that crisping is typically carried out everyday or every other day.

Much of the fresh produce on the shop floor of US supermarkets is kept moist throughout the day by an automatically activated water spray or misting system inside the cases which is thought to make it more appealing to customers. Common practice is to use de-ionised or softened water, which sprays the produce approximately every 2 to 20 minutes for 10 to 15 seconds to keep it moist. The lines are cleaned separately with disinfectant approximately monthly. The use of a low concentration disinfectant in misting lines appears to be a relatively new concept.

Supermarket fish and seafood displays can either be presented on ice, which is considered to be more attractive but harder to keep clean and odourless, or on stainless steel, which is much easier to sanitise.

Flowers in supermarkets are commonly stored in display buckets prior to purchase, which generally contain flower food dissolved in water. These buckets can become very dirty as a result of the build-up of biofilm and other organic matter.

6.2.1 Product merits and status

The 2100 System is installed in the US predominantly for use in food retail stores for sanitising fresh produce, replacement of floral preservative food and for sanitising equipment and hard surfaces. The System is also being trialled for reducing bacteria and odour from seafood and ice displays. The System can generate 50, 100 and 200 ppm Sterilox Solution, which can be further diluted.

The System is easy to maintain and monitor, as well as being simple to use. No hazardous chemicals need to be stored or mixed, which suits the retail environment where the skill base is often low and there is high staff turnover.

Sterilox Solution is used at a concentration of 50 ppm AFC for crisping, and is dispensed directly from the generator into a sink. Following drainage, the residual chlorine in the water drained off has been shown to be lower than the US Environmental Protection Agency (EPA) guidance for drinking water. Sterilox Solution has been shown to provide better sanitisation than water alone for the treatment of whole heads of lettuce.

The Company's customers report an improvement in the produce, which appeals to consumers. Sterilox Solution enables limited labour savings in crisping, as it fits into the current crisping practices, but generates significant financial savings due to shrink reduction of produce. This shrink reduction alone has been estimated to result in savings of around $600-1,200 per month. Sterilox Solution also significantly increases shelf-life. The difference between produce crisped with Sterilox Solution versus just water is reported to be visible after 6 days.

Sterilox Solution is initially flushed through misting lines at a concentration of 50 ppm to remove biofilm and microbiological contamination, and subsequently automatically dosed continually into the misting water at a concentration of around 4 to 5 ppm. The Company has shown that this treatment regime reduces the microbial contamination of the misting spray water and misting heads surface to non-detectable levels.

Customers report that the use of Sterilox Solution in misting lines reduces the maintenance requirements of the misting system and the produce cases, thus creating labour savings, whilst keeping the produce looking fresh.

Sterilox Solution has also been injected into a flaked ice machine at 40 ppm to create "Active Ice" for use inside seafood cases. This ice has been shown to reduce the contamination in seafood; it reduces the levels of ammonia, the source of strong seafood odour, to non-detectable levels. Sterilox Solution has also been shown to increase the shelf life of fish rinsed with a solution of 50 ppm.

Sterilox Solution can also be used in the floral department at a concentration of 50 ppm AFC as a replacement for floral food and preservatives. The Sterilox Solution results in a longer shelf-life and labour savings by eliminating the need to wash the buckets in which flowers are stored through the elimination of biofilm and slime. It has been estimated that using Sterilox Solution produced labour savings of up to a day a week at one store.

The use of Sterilox Solutions in food processing at the retail level reduces product shrink, increases product shelf-life, increases food safety, reduces fish odours and generates significant labour savings. Customers also report increased sales associated with the improved appearance of food. In light of these attributes, and the associated safety and user friendliness of the Sterilox Systems, we consider that the Company provides an attractive offering within this market.

6.2.2 US market opportunity

The US Centre for Disease Control (CDC) estimates that foodborne diseases cause approximately 76 million illnesses, 325,000 hospitalisations and 5,000 deaths in the US each year. In the US, diseases caused by the major food pathogens alone were estimated to cost up to US$35 billion annually (1997), due to medical costs and lost productivity. More than 200 known diseases are transmitted through food and, in 2004, the top ranked reason to choose a particular supermarket was cleanliness.

The market for food processing aids (the category in which the Company is placed), was valued at US$585 million in 2004, rising to US$754 million in 2010, representing a CAGR of around 4 *per cent*.

In 2004, there were over 34,000 supermarkets in the US with sales greater than $2 million. Of these, 65 *per cent* are chains and the remaining 35 *per cent* are independent, with 10 or fewer stores.

The Company's target market is those supermarkets which crisp and mist produce, and store floral products in produce departments. We understand that this segment represents around 65 *per cent* of supermarkets which may require a single system, with a further 9 *per cent* who may require more than one system. This market therefore includes nearly 75 *per cent* of all US supermarkets: around 25,000 in 2004 rising to around 28,000 in 2009 assuming a 2 *per cent* annual growth rate.

To date, the Company has placed over 800 Systems, representing nearly 3 *per cent* of the target market. PuriCore is aiming to reach a market share of 34 *per cent* in 2009, representing the placement of nearly 10,000 Systems.

PuriCore's key customer has already placed over 750 Sterilox Systems and is committed to installing over 800 in 2006. Three other major supermarkets are trialling the system and several more are due to start trials during 2006.

Cambridge Consultants believes that the Company has a focused approach to this market segment, which is of sufficient size to generate significant sales. It has already installed hundreds of units in the US and several other supermarket chains are trialling the system. Achieving its targets will be highly dependent on the success of its in store trials.

6.2.3 Competition

The most significant competitor to PuriCore in the food retail application for crisping and misting is water, which is used in the majority of supermarkets. The water may be purified first.

There are a number of other competitors in the food retail area, which can be broadly grouped by the disinfectant used. One of the closest competitors to PuriCore is Empowered Water™ (Electric Aquagenics Unlimited (EAU)) which is marketed for various food applications including fruit, vegetables, seafood, poultry, meat and floral. EAU has a number of systems for on-site generation of electrolysed brine and offers a near neutral pH 'Primacide' solution, where HOCl is the active ingredient.

Other companies, using a similar technology to PuriCore, who are primarily focused on other areas, claim that the food processing market may also be served by them. These companies (covered in more detail in Section 5.2.) include MIOX Corporation and Process Technology Associates, which sells Suprox®.

Other competition from alternative disinfectants in this area includes those tabulated below (for general advantages and disadvantages see Table 2).

Table 5 Alternative disinfectants used in the food industry

Disinfectant	*Examples active within the food industry*	*Comments (in addition to those in Section 5.2.)*
Chlorine dioxide	• Halox Technologies • International Dioxide, Inc.	• Electrochemical generators sold for food and beverage processing • Used for washing fresh produce and seafood
Stabilised chlorine dioxide (sodium hypochlorite)	• International Dioxide. Inc, • BTC Products • SANOVA® (Alcide Corporation) • Aseptrol® (Engelhard)	• Sold as a stable solution in bottles or sachets • For use on produce

Disinfectant	*Examples active within the food industry*	*Comments (in addition to those in Section 5.2.)*
Ozone	• DEL Ozone™ • NatureWash™ (Praxair®)	• On-site ozone generators • Food applications include surface sanitation and direct food contact
Peroxy compounds (hydrogen peroxide, peracetic acid)	• Sterilex® • Superoxy food wash • Tsunami® and Victory Fruit/Veg wash (EcoLab)	• FDA approval granted for the use of hydrogen peroxide on food contact surfaces • Found limited application in direct contact in the food industry
Quaternary ammonium compounds	• EcoCare™ (EcoLab) • Cecure® (under research by SafeFoods Corporation)	• Used only as surface sanitisers • According to the FDA, direct food contact would require regulatory approval
Organic acids, e.g. citric, lactic and acetic acid	• FreshFx™ (Sterifx™, Inc.) • PRO-SAN® (Microcide®, Inc.) • CitroBio • Veggie Wash® • Fit Wash	• Acidification may act to prevent microbial proliferation • May be popular for use on organic foods due to their claim to be made from 'natural' ingredients

In our view, Sterilox Solution is safe, effective and user friendly but there is competition both from other suppliers promoting the electrolysis of brine and from alternative disinfectant companies. However, the biggest barrier to entry in this market is competition from water for all direct food contact applications.

6.2.4 Regulatory

The use of Sterilox Solution at a concentration of 50 to 200 ppm AFC is consistent with the FDA's Guidance to Minimise the Microbial Food Safety Hazards for Fresh Fruit and Vegetables which states that chlorine is commonly added to water at 50 to 200ppm, at a pH of 6.0 to 7.5, for post-harvest treatments of fresh produce, with a contact time of 1 to 2 minutes. The EPA's Re-registration Eligibility Document (R.E.D.) for chlorine states that risk to the public is not anticipated from consuming food or water treated with chlorine. Although residues may remain on fruits and vegetables as a result of their treatment with chlorine solution (HOCl), it has been shown that the residual chlorine drained from lettuce crisped with Sterilox Solution is below the EPA limit.

The FDA Department of Health and Human Services has stated that a chlorine solution generated by ElectroChemical Activation technology is suitable for food processing applications and that the FDA has no objection to this method of producing aqueous chlorine solutions for sanitising applications, where it is used in a manner consistent with good manufacturing practice. We therefore consider that Sterilox Solution meets the regulatory requirements for use as a food sanitiser in the US.

6.2.5 Risks

One of the major challenges for the Company is to persuade potential customers that simply using water is inadequate.

The Company is dependent on a small number of key accounts. Should one or more of the current and pending trials not result in adoption of the technology, it will have a significant impact on the Company achieving its plan.

6.3 Dental unit water line treatment

Dental unit water lines (DUWLs) consist of small-bore tubing that deliver water to the dental unit and attached instrumentation. The water delivered by these lines for use as a coolant and irrigant during dental procedures can be heavily contaminated with micro-organisms, mainly bacteria, which form biofilms on the walls of the tubing in the unit. The source being from both the inlet water supplies and by back-siphonage from the patients mouth through the hand pieces attached to those lines.

Biofilms are microbial communities that adhere to solid surfaces whenever there is sufficient moisture, they are heterogeneous in species and morphology and are enveloped in a polysaccharide slime layer. Dental plaque is a classic biofilm. They protect the micro-organisms from the effects of heat and chemicals, and so reduce their susceptibility to disinfection processes. Small particles of this biofilm can break off as the water passes through the tubing, contaminating the water that is expressed into the patients mouth and aerosolised into the dental environment.

Most of the organisms recovered from dental waterlines are gram-negative non-coliform bacteria. These types of bacteria have limited pathogenic potential on immunocompetent people but may place the immunosuppressed at unnecessary risk of infection.

Whilst there is conflicting evidence that dental unit water is harmful to immunocompetent people, the CDC has stated that "Exposing patients or dental health care personnel to water of uncertain microbiological quality, despite the lack of documented adverse health effects, is inconsistent with generally accepted infection control principles". In Europe, the view is similar with many believing that the use of untreated dental unit water containing bacterial counts greater than that recommended by the EU is difficult to justify on professional, moral or ethical grounds.

6.3.1 Product merits and status

The Company's Dental System can be used for the treatment of DUWLs.

A study carried out by Loma Linda University (US) assessing the level of bacterial contamination of dental units that had been used in practice for more than 6 years concluded that Sterilox Solution is effective in controlling microbial contamination and reducing biofilm in DUWLs. Another study carried out by the University of Liverpool (UK) also concluded that use of Sterilox Solution in DUWLs, according to manufacturers instructions, reduced bacterial counts in the effluent water to almost zero after one week and certainly to CFU levels within those accepted by the EU.

In 2005 the Clinical Research Associates Foundation (CRA) published a 10 year update on systems evaluated for the treatment of dental unit waterlines, for both independent and mains water supply dental units. The criteria for dental waterline products deemed important by the CRA include:

- reliably maintains microbial counts at 500 or less CFU/ml;
- does not damage dental equipment;
- requires minimal maintenance; and
- has no negative characteristics (taste, odour, unsightly etc.).

Cambridge Consultants considers that Sterilox Solution has been shown to maintain low microbial counts in DUWLs. Furthermore, the opportunity to use Sterilox Solution for additional applications is a selling point of the Dental System.

6.3.2 Market opportunity

The British Dental Association estimates there were over 31,000 dentists in the UK in 2001, 22,000 worked in approximately 11,000 general practice dental surgeries. The Dental System is applicable to closed-loop dental units; Cambridge Consultants understands that many dental surgeries in the UK are still running mains water dental units and therefore only a proportion will be directly addressable by the Company.

In the US, the Company estimates that there are over 98,000 dentists operating out of over 50,000 addressable surgeries. This is lower than 2003 figures from the American Dental Association (ADA) of over 160,000 active private practitioners (the Company believes that this number includes retired dentists).

To date, over 900 units have been installed across the UK and US. The Company estimates that its installations to date represent a UK market penetration of approximately 19 *per cent* and a US market share of less than 1 *per cent*.

We understand that the main hurdle facing the Company's marketing plans is perception of its dental customers as to the need to install such a system in dental surgeries. We understand that, at present, US and UK dentists or dental surgeries are not prosecuted for operating waterlines expelling water with CFU counts higher than that accepted in national safe drinking water guidelines. Despite isolated cases in the US involving patients linking dental treatment water quality with a subsequent health problem, there has been no large public health outbreak linked with dental unit water quality. Whilst Sterilox Solution is effective in removing biofilm and maintaining low CFU levels in DUWLs and many dentists understand the importance of clean water for patients and staff, they appear reluctant to make a capital investment on a disinfectant system. We consider that without regulatory pressure this market may be slow to grow.

6.3.3 Competition

The predominant disinfection methods available, and those most widely used, are chemical treatment and filtration. Alternative methods include independent reservoirs and sterile water delivery systems. Combinations of treatments are also used.

6.3.3.1 Chemical treatment

Chemical treatment of DUWLs is viewed as the most effective way to remove biofilm and reduce CFU counts. The method is commonly used with independent reservoirs of water. The most widely evaluated chemical treatment is 5.25 *per cent* sodium hypochlorite. Multiple treatments are often required and effective treatment can be protocol-sensitive plus many of the chemicals used may pose risk to dental staff. Treatments include those listed in Table 6.

Table 6 Alternative chemicals for the treatment of DUWLs

Company	*Product name/ passed CRA A-D/ approval record*	*Active ingredient*	*Shelf-life/ maintenance*	*Application/water supply*
MRLB International	Dentapure® DP40/ yes/ FDA 510(k)	Elemental iodine	5 years/ change every 40 working days or after 30 litres of water	Continuous/ independent
A-Dec	ICX™/ yes/ FDA 510(k)	Sodium percarbonate, silver nitrate, cationic surfactants	18 months/ approx. 2–3 months per 50 tablets	Continuous/ independent
Vista Research Group	VistaClean™ Irrigant Solution Concentrate/ not tested/ FDA	Botanical extract from citrus	6 years/ NA	Continuous and periodic/ independent
Vista Research Group	Vista DayTab™ Waterline Irrigant Tablets/ not tested/ FDA	Stabilised chlorine dioxide	4 years/ NA	Continuous/ independent
Sterilex® Corporation	Sterilex® Liquid Ultra/ no/ EPA registered	Alkaline proxygen with phase transfer catalyst	1 year/ each bottle set can treat 2-3 dental units	Periodic/ independent water (adapter allows use with mains water)
Sterilex® Corporation	Sterilex® Ultra Powder/ no/ EPA registered	Alkaline proxygen with phase transfer catalyst	2 years/ each packet can treat 2-4 dental units	Periodic/ independent water (adapter allows use with mains water)
Kavo	Oxygenal 6/ not tested/ CE marked	Hydrogen peroxide activated by silver ions	NA	Continuous and periodic/ independent
Alpro Dental	Alpron BRS Solution/ not tested/ CE marked	2-phenoxyethanol	NA	Continuous and periodic/ independent

6.3.3.2 Filtration

Filtration methods are commonly used on dental units running on mains water and operate via microfiltration and UV germicidal irradiation of incoming water. The advantages of filtration include the reduced need for chemical treatment, lowering the associated risk of exposure to chemicals for patients and dental staff. Examples include those listed in Table 7.

Table 7 Filtration technologies for the treatment of DUWLs

Company	*Product name/ passed CRA A-D*	*Active ingredient*	*Shelf-life/ maintenance*	*Application/ water supply*
Sterisil, Inc.	PureLine50/ yes	Ionised silver resin	Indefinite/ annual filter change	Continuous/ isolated or mains water
Sterisil, Inc.	PureTube™/ yes	Ionised silver resin	Indefinite/ annual filter change	Continuous/ isolated water
Sterisil, Inc.	PureTube Plus™/ yes	Ionised silver resin	Indefinite/ 90 day filter change	Continuous/mains water
Vista Research Group	VistaClear™ Integrated System/ yes	Multistage biochemical filter	Indefinite/ annual filter change	Continuous and periodic/ mains water
Vista Research Group	VistaClear™ Waterline Treatment System/ yes	Multistage biochemical filter	Indefinite/ annual filter change	Continuous and periodic/mains water (can service multiple dental units)
KAB Dental	Dental Ultraviolet Waterline Steriliser System	UV lamp and filters	Indefinite/ 6-monthly filter change, annual UV bulb change	Continuous/mains water

Filters can be used on mains or independent water sources, however for many dentists the changing of filters is seen as an irritation and is often forgotten, reducing the efficacy of the filter. Many filter suppliers claim that fitting a filter to mains or independently supplied water can eliminate and control biofilm. However, this is questionable as protocols require the regular treatment of the waterlines with a branded disinfectant in addition to correct use of the filter. In addition, build up of biofilms in filter treated waterlines can discolour filters, which can cause patient unease and concern.

We view the market for the treatment of DUWLs to be competitive and price sensitive. In our view the attractiveness of the Dental System will increase as other dental application areas are introduced (discussed in section 6.4.1).

6.3.4 Regulatory

In the US, the EPA and the FDA are responsible for water quality, in Europe the Council of the European Union has also set guidelines for the safety of drinking water. The Safe Drinking Water Act of the EPA sets a standard for non-coliform bacteria in drinking and recreational water at 500 CFU/ml whilst, in the EU, the guidelines are more stringent with a maximum limit of 100 CFU/ml. By comparison the DUWL contamination in untreated systems often exceeds 1,000 CFU/ml and counts of 200,000 CFU/ml have been found only 5 days after the installation of new dental water units and can increase to as many as 10^6 CFU/ml. The quality of water delivered by dental units will not meet these national standards without regular maintenance.

In the US, there is no enforceable regulation for dental surgeries to maintain dental unit water to EPA safe drinking water levels, dentists favour self regulation. However, in 1995, the ADA issued a statement on DUWLs regarding water quality and cleaning and maintenance of the lines which is based on CDC Guidelines for Infection Control in a Dental Healthcare Setting. The statement recommends regular maintenance of waterlines and regular water quality testing and has set a maximum level of 200 CFU/ml for DUWLs. The situation in Europe is similar to the US in that there is no enforceable regulation of DUWL water quality.

In the US, the Sterilox Solution, when used in dental water lines, is considered by the FDA to be a “general purpose disinfectant” and is therefore a Class I device and exempt from premarket notification requirements. General purpose disinfectants are regulated by the EPA who has primary jurisdiction over these products. The EPA has previously determined a Sterilox System to be a pesticide device, as a result the disinfectant produced is exempt from the Federal Insecticide, Fungicide and Rodenticide Act registration.

In Europe, the Dental System is CE marked and is therefore approved for marketing within the EU.

6.3.5 Risks

The lack of regulation of dental water quality is causing reluctance among the dental community to adopt water treatment systems.

The Company faces competition within this area. The Dental System is used with independent water reservoirs and is perceived to be high in running costs and capital expenditure compared to the competition. The Company plans to introduce a lease plan to ameliorate the capital expenditure hurdle.

We are aware that some dental surgeries using the Dental System have reported damage to metal parts of the dental unit and have received feedback from some patients on the altered taste of the water.

Company needs to establish its route to market in the US, where it does not have a distributor.

6.4 Additional application opportunities

6.4.1 Dental applications

Alternative applications for the Sterilox Solution include its use as a hard surface disinfectant, for disinfection of dental impressions, and as a root canal cleanser and lubricant.

The Company is already marketing Sterilox Solution for the disinfection of hard surfaces and dental impressions and is seeking to submit a 510(k) approval in the US for further oral applications of the Sterilox Solution.

6.4.2 US hospitality

Within the hospitality sector, which encompasses industries that provide food and lodging, such as hotels and restaurants, there is a need to effectively address bacterial and microbial contamination of food through preventative action. As discussed previously, the CDC estimates that 76 million Americans get sick, of which more than 300,000 are hospitalised and 5,000 people die from food-borne illnesses each year. The Company has identified a number of niche applications within the US hospitality market including:

- safe preparation of food;
- treatment of ice for drinking water; and
- environmental remediation through fogging.

It has been estimated that there were 47,500 hotels in the US in 2004 based on accommodation offering 15 or more rooms. Of this total, the Company has estimated that its current product offerings could address 5,800 facilities with greater than 150 rooms, equating to the potential market of 11,700 system installations with some facilities having more than one system. The Company provides the 2100 System within this market, which can be used to wash fruit and vegetables, to clean hard surfaces, to treat drinking ice and to fog rooms.

The Company intends to dose water for ice cube production at levels between 2 to 3 ppm hypochlorous acid. The Company has reported that there are currently no competing products for this application, although it is unclear to Cambridge Consultants whether this low level of dose will have the appropriate efficacy.

We consider that the 2100 System has potential within the hospitality industry by offering a safe and non-irritating disinfectant alternative, which appeals to the end user in niche applications. At the end of 2005, the Company had installed 19 Systems within this sector.

6.4.3 Facility remediation

In 2005, the CDC estimated that 23 million cases of acute gastroenteritis were due to Norovirus infection. Among the 232 outbreaks of Norovirus illness reported to the CDC from July 1997 to June 2000, at least 57 *per cent* were foodborne and 16 *per cent* were due to person-to-person spread. Common settings for these outbreaks include restaurants and catered meals, nursing homes, schools, and vacation settings or cruise ships. Norovirus can be prevented by thoroughly cleaning and disinfecting contaminated surfaces using a bleach-based household cleaner immediately after an episode of illness.

Methicillin resistant *Staphylococcus aureus* (MRSA) is increasingly a cause of nosocomial and community-onset infection. From 1999 to 2000, it was estimated that 126,000 hospitalisations occurred in the US with a diagnosis of MRSA.

The CDC has also reported that outbreaks of *Acinetobacter* infections typically occur in intensive care units and healthcare settings.

Research has shown that direct surface contact or fogging using Sterilox Solution (at 200 ppm) is able to reduce Norovirus by at least 3 $\log_{10}$ from ceramic and stainless steel surfaces. Sterilox Solution has been reported to be effective against Norovirus outbreaks in Las Vegas, US.

A study has also reported that Sterilox Solution significantly reduced the recovery of MRSA and *Acinetobacter* strains from ceramic tiles after fogging treatment, the authors considered it worthy of further evaluation in clinical settings and noted that the reductions observed compared favourably to the use of alkylamine compounds which, along with the safety profile of Sterilox Solution, makes it a good candidate for this application.

The Company's target market for facility remediation includes hotels and hospitals, where the Company's 2100 System can generate Sterilox Solution for fogging applications as well as for hard surface disinfection. The System is already used in the US for the treatment of Norovirus. Cambridge Consultants believes that Sterilox Solution offers a safer and user-friendly alternative for facility remediation although further research will need to be conducted to provide relevant efficacy data for the different application areas.

6.4.4 Water treatment

Given the broad biocidal efficacy of hypochlorous acid, water treatment opportunities exist including the treatment of potable water, swimming pools, drinking fountains, jacuzzis and Legionella.

Legionella is responsible for a number of illnesses including Legionnaires' disease, a pneumonia type of infection of the lower respiratory tract. It is common for Legionella to colonise areas in building water systems such as storage tanks, hot water cylinders and pipework, where it poses a risk to health. Other examples of Legionella sources include water fountains, spas and whirlpools, humidifiers and respiratory therapy equipment.

An estimated 10,000 to 15,000 people contract Legionnaires' disease in the US each year; between 5 to 15 *per cent* of these cases prove to be fatal. The occurrence of Legionnaires disease is much higher in hospitals and healthcare facilities than is observed elsewhere. There are a variety of methods used to disinfect potable water systems at their point of use, including heat flushing, chlorination, ozonolysis, UV radiation and chlorine dioxide treatment.

Aqualox Solution is dosed into water supplies to give a residual level of 1ppm AFC, which is maintained via proportional dosing or the use of either a Redox or chlorine probe. The efficacy of Aqualox against Legionella has been shown at a concentration of 4 to 5ppm. We understand that the Aqualox System is CE marked with 7 installations currently generating revenue for the Company, with one being used to control Legionella.

In addition to Aqualox Solution, the mixed-oxidant solutions produced by MIOX Corporation generators are also applicable to the water treatment industries.

In our view, the Aqualox System may be used to treat potable water supplies.

6.4.5 Wound management

In 2005, it was estimated that the yearly incidence of venous ulcers in the US was approximately 1.2 million. Approximately 70 *per cent* of all leg ulcers are venous ulcers. As the elderly are more likely to develop chronic and venous ulcers, the incidence rates of these chronic wounds is expected to increase as the population ages. The standard treatment for venous leg ulcers has been compression therapy, which uses a tightly wrapped bandage, and although this treatment can be effective, long-term therapy may be required and the treatment does not work for everyone.

Sterilox Solution has recently been shown to have potential as an additional treatment for chronic venous ulcers that have not healed using standard compression bandaging. Within the study, patients were admitted for an initial three weeks of treatment with standard compression bandaging. Only patients who had not achieved $\geq$ 44 *per cent* reduction in ulcer size after three weeks of standard treatment were offered treatment with HOCl in a forced circulation leg hydrobath. Of 30 patients admitted to the study, 10 achieved 44 *per cent* reduction in ulcer size using compression bandaging

and, as a result, the remaining 20 patients were given the Sterilox Solution washes over a 12 week period, in addition to the standard compression therapy. Using the combination therapy, 5 patients healed within 12 weeks and four on follow-up within 20 weeks, a further five experienced a 60 *per cent* to 88 *per cent* reduction in ulcer size by week 12, giving an overall beneficial result in 70 *per cent* of the 20 patients. Pain was reported to be immediately relieved in all patients using the Sterilox Solution washes. One patient developed a low-grade eczema, suspected to be caused by HOCl, which was subsequently resolved after discontinuation of the treatment. In summary, the study showed that the use of HOCl to wash venous ulcers for 12 weeks alongside standard compression bandaging materially improved treatment outcomes for large chronic venous ulcers.

The Company has been granted CE approval for its wound irrigation system and has recently submitted a 510(k) application to the FDA.

Given this is a high-value market, there is competition from a number of players, including well established companies including Smith and Nephew plc, and ConvaTec (a Bristol-Myers Squibb Company). Nevertheless, there has been the opportunity for new products to enter the market as demonstrated by more recent entrants such as Dermacyn® Wound Care (Oculus Innovative Sciences) and V.A.C.® Therapy (Kinetic Concepts, Inc.).

In our opinion, the market for wound management is highly competitive. Initial results using the Sterilox Solution appear positive and, if larger studies are successful, the product could meet a need in treating large chronic venous ulcers, particularly those that do not respond to conventional compression therapy.

7 PURICORE'S STRATEGY AND CAPABILITIES

7.1 Management

PuriCore is led by an experienced Senior Management team based principally in the US, a number of whom have joined in recent years. Together the team brings over 100 man-years of commercial and operational experience in the international healthcare, food and retail markets. Included in the Senior Management team are key scientists with around five years experience each of the Sterilox technology platform and its application.

7.2 Research and Development

The Company's Research and Development strategy is to support the core business and to develop the science behind the potential application areas for the technology. Design and development of new Systems is undertaken in collaboration with third parties. Validation of biocidal efficacy is often contracted to third parties or Universities. The Company keeps abreast of developments and changes in practice in the relevant fields by representation at a number of British and European committees associated with disinfection standards and guidelines. Research and Development is undertaken in both the US and UK.

In Cambridge Consultants opinion, this strategy is appropriate for a Company at this stage of its development but we would expect to see strengthening of its in-house development capabilities as the Company matures.

7.3 Manufacturing and Regulatory

PuriCore's strategy is to out-source the manufacture and assembly of its Systems and electrolysis cells. The Company has identified a number of manufacturing partners with the capability and capacity to meet its requirements and we understand that for key areas where the Company is currently reliant on a single manufacturing source, it is seeking alternative suppliers to reduce supply and production risks.

In addition to its internal regulatory professionals who are based in both the UK and the US, the Company makes use of a major US firm for its regulatory advice.

In 2007, the Company plans to obtain ISO 13485 Certification and is aiming to implement a Global Quality System.

The Company's products are experiencing a number of issues in the field. In our view, the field performance is consistent with that expected from this type of design implementation and manufacturing method. The Company is developing a new monitoring metrics and is aiming to address some of the key issues reported.

Cambridge Consultants believes that the manufacturing strategy provides the Company flexibility to scale-up, although it may wish to bring some of the manufacturing work in-house in the future. The use of both external and internal regulatory professionals is a sound approach.

7.4 Sales and Marketing

The Company's route to market is to use a combination of its own sales force and distributor agreements depending on the market and the territory.

The Company has its own sales force, which focuses on the food retail markets in the US and on the endoscopy reprocessing market in the UK.

The Company is establishing distribution agreements to access the endoscopy reprocessing markets in continental Europe. A distribution agreement exists with Optident for marketing the Dental System. For the treatment of chronic wounds the Company anticipates partnering with an established player in the wound care market.

The Company has some internal marketing capabilities and we understand is looking to develop these further.

In our opinion this mixed model of own sales and distribution is a balanced approach, however as the Company accesses more markets and territories it will need to strengthen its marketing and product management capabilities to ensure consistent and credible representation and support of its technology and products.

8 GENERAL RISKS

Cambridge Consultants considers that the Company will face certain risks in the realisation of its business plan, which may render some or all of the information in this Part XIII incomplete, obsolete or invalid in the future. This section should be read in conjunction with the risks associated with each of the Company's base businesses, and any risks listed could impact on PuriCore's business plan:

- the Company's targeted business areas are competitive with a number of products within each market, including other systems and solutions using the electrolysis of brine. New technologies may also emerge;
- the Company is reliant on its core platform technology, the controlled electrolysis of brine. Perceptions and attitudes may change towards its use;
- expansion of the Company's platform technology in additional areas will face competition and may require larger or longer trials, or changes in system specifications, which may delay adoption;
- in some markets, the Company is dependent upon distributor sales and therefore dependent on third parties for growth;
- some of PuriCore's business areas are reliant on a small number of high value customers; failure to convert or loss of customers could be significant;
- the Company's business plan may be affected if delays with regulators are experienced, such as in the US with the FDA 510(k) approvals and, if regulations change, for example, in Europe with the adoption of new standards;
- PuriCore is reliant on third party suppliers for the manufacture of its components and systems. Where there is reliance on a single source, supply issues could occur;
- Sterilox Solution can be produced out of specification in terms of its hypochlorous acid concentration and it is also inactivated in the presence of organic matter, both may lead to failure of the disinfection process; and
- Sterilox Solution has been reported to have compatibility issues with certain materials, which may reduce its potential.

9 SUMMARY

PuriCore is a product based life science company focussing on the development and commercialisation of its platform technology to produce hypochlorous acid (Sterilox Solution), a natural biocide that is regarded as having broad microbiocidal activity, being safe, user friendly and having broad applicability. The Company is currently focussing on three market areas, which generate revenue, namely:

- endoscopy reprocessing, where the Company offers both the Maxigen and Midigen Systems, which produce Sterilox Solution on-site and on-demand. Sterilox Solution is compatible with a number of automatic endoscope reprocessors (AERs) and offers safety to the patient, staff and environment. PuriCore has focused on the UK market where it is considered a major product. Within Europe, the market is dynamic with preferential use of disinfectants being country specific and changing over time. Should the US follow the trend in Europe in phasing out the use of glutaraldehyde, it will create more opportunities for alternative disinfectants.
- food preparation, where PuriCore focuses on placing its 2100 System in US supermarkets that crisp and mist produce, and have floral departments. The use of Sterilox Solutions in food processing at the retail level reduces product shrink, increases product shelf-life, increases food safety, and generates significant labour savings. In this market, PuriCore's principal competitor is water.
- dental offices and surgeries where there are a number of potential applications for the Dental System. The main focus for the Company has been to position it as a treatment for dental unit water lines where Sterilox Solution has been shown to maintain low microbial counts. In this market, the Company faces a number of competitors, a current lack of regulation, and the dental customer's reluctance to treat their water lines.

PuriCore expects to produce new products based on its platform technology to address its current base businesses as well as addressing new markets, including seeking three FDA 510(k) approvals in the near term to support its plans. Sterilox Solution has potential within the hospitality industry and for environmental remediation purposes by offering a safe and non-irritating disinfectant alternative in niche applications within these sectors. In addition, initial results using the Sterilox Solution to treat large chronic venous ulcers appear positive and, if larger studies are successful, the product could meet a significant need in this area.

The Company uses a combination of its own sales force and distributors to access these markets and has placed around 2000 Systems. Manufacture is outsourced to third parties.

A number of risks exist to PuriCore's business plan, including the competitiveness of the Company's targeted and future business areas, its dependence on a single platform to which perceptions may change, and the Company's reliance on a small number of high value customers in certain markets. In addition, performance is key to maintaining customer confidence. The Company has taken a focused approach to its current markets and future developments.

We believe the risks to be consistent with the current stage of development of the Company. The Company combines a strong commercial focus with technical knowledge in the field of disinfection and its technology. We consider that the experience of the Company's management team should enable it to identify and manage the risks that the Company may face.

Yours faithfully

For and on behalf of

Cambridge Consultants Ltd

PART XIV: PATENT AGENTS REPORT

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27 June 2006

Dear Sirs,

Intellectual Property Report on PuriCore plc

This is our report on the intellectual property interests and strategy of PuriCore plc and its subsidiary companies (hereinafter referred to collectively as "PuriCore").

INTRODUCTION

David Keltie Associates

David Keltie Associates (DKA) is a firm of patent and trade mark attorneys established in 1988 providing a full range of intellectual property services, including the filing and prosecution of patents, trade marks, designs and advising on non-registrable rights such as copyright and unregistered design rights. The firm has significant experience in developing portfolios for clients as well as enforcing those rights against third parties.

DKA is a mixed partnership of patent and trade mark attorneys. On the patents side of our practice, four of the six Partners are registered United Kingdom and European Patent Attorneys and there are additionally four fully qualified Associates along with nine Technical Assistants at various stages of qualification. Qualified patent attorneys at DKA have rights of audience before the UK Patent Office, the European Patent Office (EPO), and the World Intellectual Property Office (WIPO).

The firm has a considerable range of technical expertise amongst DKA's patent attorneys and technical assistants, all having science and/or engineering backgrounds and qualifications and many having doctorates in their appropriate disciplines. For example, DKA is able to provide advice across the technical fields of chemistry, biotechnology, materials science, electronics, telecommunications, software, mechanics and physics. Further details of the firm's expertise across all areas of intellectual property may be found at DKA's website (*www.keltie.com*).

The authors of this report are Partners David Keltie and Judith Caldwell. David and Judith's views and opinions expressed in this letter are based on their knowledge and experience of UK and European Patent Convention laws and practice. It should be appreciated that IP laws and practice may vary in other territories outside of those in which we practice, such that the views and opinions expressed in this letter are not necessarily consistent with patent laws and recommended patent practice in such other territories, including the United States for example.

David Keltie has over 30 years experience in the patent profession, including eight years as a partner in another London firm, before founding DKA in 1988. As well as being a Chartered Patent Attorney, European Patent Attorney, Registered Trade Mark Agent and European Trade Mark Attorney, David is a Chartered Physiotherapist. David has extensive experience in patents in the medical and healthcare fields.

Judith Caldwell has a degree in Chemistry from Imperial College and spent ten years as a Patent Examiner in the chemical division of the United Kingdom Patent Office before entering the patent profession. After a spell in industrial practice, Judith joined DKA in 1992 becoming a Partner in 1995. Judith is a Chartered Patent Attorney, European Patent Attorney and European Trade Mark Attorney and has particular expertise in the chemical and polymer technology fields.

PuriCore first instructed DKA to advise on intellectual property matters in the autumn of 1999 and David has been involved with the PuriCore portfolio since then, though not as a primary contact since 2004 when the focus of patent prosecution operations was moved to the United States and the IP law firm Kenyon & Kenyon LLP assumed responsibility for most of such US prosecution. Judith has been involved with certain aspects of the portfolio from time to time.

This report

We have been asked to provide a review of PuriCore's intellectual property rights and third party interests for the benefit of both PuriCore and Nomura Code Securities in their capacity as Sponsor for inclusion in the Prospectus. For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus 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 Prospectus in compliance with paragraph 1.2 of Annex I to Appendix 3 of the Prospectus Rules.

Our report contains (1) an introduction to patents, including the application process; (2) a brief summary of PuriCore's patenting strategy; (3) a report on PuriCore's patent portfolio; (4) a section regarding third party activity in relation to PuriCore's patents; (5) a section regarding third party rights; and (6) a brief report on PuriCore's trade mark portfolio.

We have not commented on any unregistered intellectual property rights that may be owned by PuriCore or used in any of its products or processes.

INTRODUCTION TO PATENTS

Rights and duration

The patent system promotes innovation by giving the owner of a granted patent the right to prevent third parties from exploiting the invention claimed in the patent and to claim damages for any infringements of that right. A patent can generally last for up to 20 years from its date of filing subject to payment of renewal fees and may be granted for any industrially applicable invention that is novel and not obvious.

Most patent applications and all granted patents, except those having national security implications, are published. In this way, others may benefit from the technology disclosed, once any patent rights have expired.

A patent does not automatically give a right to exploit an invention, only the right to exclude others from exploiting it. It is therefore possible for a patent to be granted for an invention but for the patent owner to be prevented from exploiting the invention because of a third party's patent. In such situations, it may be possible to obtain a licence from the third party.

Application requirements

An application for a patent typically includes a detailed technical description of the invention and one or more claims. The claims define the invention and the scope of protection sought, and the description informs the reader how to put the invention into practice. The claims should be fairly based on the description and, for any resulting patent to be valid, must only cover subject matter that is novel and inventive over the "prior art". The prior art includes anything that is already known whether this is from earlier patents and applications, other published material, or from public use.

In seeking to secure the widest possible patent protection for their clients, one approach is to generally draft the claims broadly in the knowledge that their scope may have to be restricted if relevant prior art is revealed during examination of the application by the relevant Patent Office. Of course, Patent Office Examiners (particularly Search Examiners) sometimes do not understand the inventions described in patent applications correctly but there is always scope for argument and discussion with Examiners on their interpretation of an application and the true relevance (if any) of cited prior art.

It is not possible to add technical information to a patent application after filing, nor is it generally allowed to amend claims to broaden the scope of protection sought, and these are the main reasons why the claims as filed are drafted broadly.

Territorial nature of patents

Patents are territorial, and so it is necessary to file applications in each of the countries where protection is desired. Various international treaties and conventions exist which facilitate the acquisition of protection in multiple countries via a single initiating application.

Most major industrialised countries are party to the Paris Convention and an initial patent filing in a Paris Convention country provides a so-called "priority date" for the invention disclosed in the patent application. Patentability will later be assessed as of the priority date such that material published after the priority date will not generally be prejudicial to novelty or inventiveness in many countries. This priority date can also be made effective for further applications filed in Paris Convention countries provided any such further applications are filed within 12 months of the first priority application. In most cases, the priority application will be filed in the home country of the applicant and indeed this may be required by national law.

In addition to the Paris Convention which provides for mutual recognition of priority dates, there is a Patent Co-operation Treaty (PCT) to which over 100 countries belong. The PCT provides an opportunity to secure provisional patent protection in the world's largest industrial markets whilst at the same time allowing an applicant the opportunity to have a non-binding opinion on the patentability of his invention. Specifically, the PCT does not allow for the granting of patents and any International applications filed under this system must ultimately be devolved to the national and/or regional patent offices where protection is sought. The PCT is favoured largely because it also allows an applicant additional time before having to make a final decision on territorial coverage. Instead of making this decision at 12 months from the priority date, the decision can be delayed until between 30-32 months from priority.

If patent protection is sought in several European countries, it is more cost-effective to secure grant through a centralised search and examination procedure under the European Patent Convention (EPC) rather than filing several national applications. The EPC system is administered by the European Patent Office (EPO) in Munich and covers over 30 European countries, having undergone recent rapid expansion to include new member states of the EU and others. Once the EPO has granted an application, it is then transformed into national patents in any of the designated European countries by local validation procedures, which typically involve filing a translation of the granted patent into the local language and appointing a local patent attorney to act as an address for service in that country. A European patent can only be enforced in a country where the validation procedure has been carried out.

Depending on a client's particular interests, patent applications may be filed directly in the countries of interest, using regional systems such as the EPC if available, or via the International route. Most commonly, an application will be filed first in a client's home territory to establish a priority date and applications in other territories claiming priority from the first filing follow 12 months later.

Timing of application procedure

The time taken for an application to proceed to grant can vary enormously from country to country, as well as within a single country, and it may depend not only on the objections raised during the

examination procedure but also on the extent of the backlogs that exist in the relevant patent office. Typically, a patent application that is filed using the International (PCT) route may take between 5 and 10 years to reach grant. In particular circumstances, for example if the applicant is concerned about a potential infringement, it may be possible to expedite examination and grant. Often, however, delay in obtaining grant is not a problem and can in fact be beneficial to defer costs. Although formal action to enforce a patent is only possible after grant, in many countries a patentee can be awarded compensation for infringement carried out by third parties before grant and after publication of the application.

Validity

The laws of patent validity vary from country to country, throughout the world. Although in most jurisdictions a patent will have been granted only after a detailed examination of the application, a granted patent may not necessarily remain valid. For example, it is unlikely that a patent examiner will have considered all possible prior art, a virtually impossible task. It remains possible for a third party to successfully challenge the validity of a patent at any stage in its life, and issued patents later can be held invalid over prior art that was never considered by an examining authority during prosecution and/or over prior art that was previously considered by such an examining authority.

The most common grounds upon which a patent's validity may be challenged are that the claims of the patent are not novel or are obvious (lack an inventive step) in the light of the prior art. An invalidity attack, if successful, may result in total loss of a patent or removal, invalidation or limitation (depending on the country) of only certain claims, giving a narrower scope of protection. Knowingly maintaining an invalid patent may however prevent the option of restricting its scope in countries where such an option is available.

In most countries a validity challenge may be brought before the national patent office and/or the national court. European patents may also be challenged centrally at the EPO under an opposition procedure but any such challenge must be mounted within 9 months from the date of grant of the European patent. The European opposition procedure presents a less expensive route to attacking a competitor patent than through the national courts and about 5 *per cent* of granted European patents are challenged in this way.

Infringement of third party patents

When prosecuting patent applications before the various patent offices, it is common to evaluate cited prior art only in terms of its potential to prevent a patent being granted rather than extend investigations to consideration of any infringement risk presented by that prior art. Assessment of a prior art document for patentability purposes requires the description of the invention to be reviewed (to determine whether the new invention is already known or obvious), whereas assessment for freedom to use requires detailed analysis of the claims. In addition, the prior art cited in relation to patentability will not necessarily include any or all of the patents that are relevant in relation to infringement.

In our experience, it is often difficult and also extremely expensive to undertake comprehensive freedom to operate searches, and even where such searches are carried out the results may not be conclusive. Given these factors, there are many instances where clearance searches are not undertaken, particularly by smaller companies.

Typically, if there are third party rights being infringed, it is usual for those third parties to commence patent infringement proceedings, or at least warn that such proceedings will be commenced if the allegedly infringing activity is not stopped. Mostly, such actions are taken when the third party becomes aware of the supposed "infringer" or as soon as it becomes apparent that the supposed "infringer" is taking a significant share of the relevant market. Undue delay in taking action against an accused infringer may limit the relief granted by the courts if infringement is proved, or preclude any such relief altogether in some countries.

PURICORE'S PATENTING STRATEGY

Background

PuriCore's core technology is based upon the electrochemical treatment of brine to produce a biocidal solution that is safe, non-toxic and environmentally friendly. The general concept of electrolysing brine in an electrochemical cell has been known for many years. The original technology, which formed the basis for the development of PuriCore's technology, was developed in the late 1980s/early 1990s by a group of companies that were predecessors to PuriCore and various patents relating to the technology were subsequently acquired by PuriCore.

Some of the patents that were acquired by PuriCore have been allowed to lapse because they related to technology that was not being exploited nor were there any plans for exploitation in the future. In our view, aligning its patent portfolio with its core commercial interests, rather than "bulking out" its portfolio with irrelevant patents that cost money to maintain was a sensible decision by PuriCore. Aside from these financial benefits, the publication of the lapsed patents means that a third party may not be able to secure valid patent protection for the subject matter disclosed in those lapsed patents in the future. In the latter regard, PuriCore therefore should have freedom to use the subject matter in the lapsed patents provided there are no conflicting third party patent rights.

Building on the earlier technology, PuriCore's technology had advanced by the late 1990's to allow the automated production of biocidal solution, on-site and on-demand. Such a process has particular advantages in a range of applications where effective and reliable disinfection is crucial. Important markets for the technology are in the public and private healthcare sectors, but the technology may also be applied in other sectors, such as water treatment, food preparation and agriculture.

PuriCore has sought patent protection for its technology, including the systems through which "Sterilox" biocidal solution is delivered, such as its Maxigen, Midigen and 2100 systems for on-site, on-demand delivery, and for its further innovations. The patent families currently held by PuriCore cover various aspects of the apparatus and processes employed to produce the biocidal solution, and a range of applications involving use of the biocidal solution.

Since the systems developed by PuriCore to produce its biocidal solution will typically be located in areas where the public has access, for example in hospitals, there is the potential for third parties to inspect the apparatus and gain knowledge of the operating processes. For this reason, it is not appropriate for PuriCore to rely solely upon confidential information or trade secrets to protect its technology, and this is one reason why patent protection has been favoured.

Patent awareness

In our opinion, PuriCore fully appreciates the importance of securing patent protection for its technology and has regularly consulted its patent attorneys with a view to filing for patent protection in a timely manner. Personnel within PuriCore appear to be fully aware of the need to keep new developments confidential until patenting has been considered and any necessary patent applications filed.

PuriCore's IP portfolio has grown steadily over the period since the company was founded back in 1996. While the majority of its patents and pending applications are relevant to PuriCore's core activity of automated on-site, on-demand production of the biocidal solution, there is a growing body of patents and applications directed to other commercial opportunities that involve the exploitation of the properties of the biocidal solution. In our view, this "spin off" technology confirms that personnel within PuriCore have an eye to the future and a commercial awareness to secure patent protection at the earliest opportunity thereby helping establish a sound basis for the company to grow beyond its core area.

Filing strategy

Some of the earlier patents in PuriCore's portfolio were acquired from third parties and hence PuriCore was not in a position to determine territorial coverage. However, since acquiring these base patents, PuriCore has had a policy of typically seeking patent coverage in the North American and European markets, specifically in the United States and Canada, and in the United Kingdom, France, Germany and Italy.

We consider this to be a sensible filing strategy, as it covers the most important immediate markets. In our experience, many relatively young companies are overly ambitious in seeking "world-wide" protection and do not fully appreciate the financial resources required to fund an extensive filing programme. Our view is that PuriCore has successfully balanced its commercial needs with the resources available.

Of course, the opportunity to widen the territorial coverage beyond North America and Europe remains available for the most recently filed applications where the applications are still in, or are yet to reach, the International stage. Accordingly, it is conceivable that in the future PuriCore may seek wider territorial coverage for its very recent and emerging technology.

PURICORE'S PATENT PORTFOLIO

PuriCore's patent portfolio currently covers a total of 13 different inventions, relating to apparatus and processes used for the production of biocidal solution, to biocidal solutions *per se*, and to medical/ healthcare applications using biocidal solution, the details of which are provided below:

Electrochemical treatment of an aqueous solution invention

Directed to a method of operating an electrochemical cell comprising passing a substantially constant throughput of chloride ions through the cell, applying a substantially constant current across the cell between the cathode and anode and controlling the pH of the output solution by recirculating at least part of the output solution from the cathode chamber into the anode chamber. The output solution has a predetermined level of available free chlorine and pH.

Comments: The pending European application has recently been amended to bring the claims into line with the already granted UK patent and we therefore expect that grant of the European patent will now be forthcoming. Once granted, the patent will be validated in France, Germany and Italy and the UK designation will likely be withdrawn to avoid a dual patenting situation (provided the claims are coterminous with that of the UK patent).

Although the USPTO was informed of the prior art raised in the UK application, it granted a patent in the US with broader claims. A divisional application directed towards aspects of the generator forming part of the system was also filed in the US and is awaiting examination. Examination was requested for the Canadian application in July 2005 and, although there are no guarantees, we would expect claims of equivalent scope to one of the granted patents to be accepted in due course.

The patents protect the process used in PuriCore's Maxigen, Midigen and 2100 systems.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
Canada	Sterilox Medical (Europe) Limited (UK)	2315355 filed – 8/3/00	Pending (examination requested)	
UK	Sterilox Medical (Europe) Limited (UK)	GB 9927808 filed 11/24/99 (div. of GB 9918458)	Granted Pat. No. UK 2,352,728	issued – 2/7/01 expires – 8/6/2019
Europe (FR, DE, IT, UK)	Sterilox Medical (Europe) Limited (UK)	00306614.9 filed – 8/3/00	Pending	
USA	Sterilox Medical (Europe) Limited (UK)	09/633,655 filed – 8/7/00	Granted Pat No. 6,632,347 B1	issued – 10/14/03 expiry – 8/7/2020
USA	Sterilox Medical (Europe) Limited (UK)	10/663,079 filed – 9/16/03 (Divisional of above US application – Claiming aspects of generator itself)	Pending (awaiting examination)	

Electrochemical processing invention

Directed to a method and apparatus for electrochemical processing of a water-based electrolyte that includes the step of passing at least a part of the catholyte from the cathode chamber through the anode chamber and controlling the flow of the "diverted" catholyte to control the pH of the anolyte produced from the anode chamber.

Comments: All patents granted.

The patents protect the process of catholyte recirculation for use PuriCore's Maxigen, Midigen and 2100 systems.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
PCT (International)	Enigma (UK) Limited (wholly owned subsidiary of PuriCore)	PCT/GB97/02666 filed – 9/29/97	National	
Canada	Sterilox Technologies International Limited (UK)	2,267,265 filed – 9/29/97	Granted Pat. No. 2,267,265	issued – 4/2/98 expires – 9/29/2017
Europe (FR, DE, IT, UK)	Sterilox Technologies International Limited (UK)	97943068.3 filed – 9/29/97	Granted Pat. No. 1007478	issued – 8/20/03 expires – 9/29/2017
France	Sterilox Technologies International Limited (UK)	(from EP 97943068.3)	Granted* Pat. No. 1007478	issued – 8/20/03 expires – 9/29/2017
Germany	Sterilox Technologies International Limited (UK)	DE 69724289 (from EP 97943068.3)	Granted* Pat. No. 1007478	issued – 8/20/03 expires – 9/29/2017
Italy	Sterilox Technologies International Limited (UK)	(from EP 97943068.3)	Granted* Pat. No. 1007478	issued – 8/20/03 expires – 9/29/2017
UK	Sterilox Technologies International Limited (UK)	(from EP 97943068.3)	Granted Pat. No. 1007478	issued – 8/20/03 expires – 9/29/2017

* Currently subject of restoration proceedings

Low volume dispenser invention

Directed to systems that do not employ catholyte recirculation.

Comments: UK patent granted directly from "priority application"; additional subject matter included in subsequent PCT application relating to commercial embodiment of low volume dispenser used for dental system. The pending European application designates all available states and so there is the potential to validate granted patent beyond usual countries.

The technology is currently being exploited by PuriCore in its dental system.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
UK	Sterilox Technologies International Limited (UK)	0222961.5 filed – 10/3/02	Granted Pat. No. 2,393,737	issued – 08/17/05 expires – 10/03/2022
PCT (international)	Sterilox Technologies International Limited (UK)	PCT /GB2003/004263 filed – 10/3/03	National	
Canada	Sterilox Technologies International Limited (UK)	2501066 filed – 10/03/03	Pending	
Europe	Sterilox Technologies International Limited (UK)	03753722.2 filed – 10/03/03	Pending	
USA	Sterilox Technologies International Limited (UK)	11/369,981 filed – 03/08/06 (cont. of 10/530,115 abandoned)	Pending	

Ceramic membrane invention

Directed to a ceramic membrane for use in an electrochemical cell, the membrane being formed from a combination of at least two different minerals having different particle sizes and thermal expansion coefficients and the manufacturing process resulting in improved mechanical strength and water permeability.

Comments: All equivalents granted except in Canada where a request for examination was filed in June 2005. Although there are no guarantees, we believe there are good prospects of securing claims of equivalent scope in Canada in due course.

The patents protect a process of producing a ceramic membrane suitable for use in PuriCore's systems.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
Canada	Sterilox Medical (Europe) Limited (UK)	2312247 filed – 6/22/00	Pending (examination requested)	
UK	Sterilox Medical (Europe) Limited (UK)	0015329.6 filed – 6/22/00	Granted Pat. No. 2354478B	issued – 3/28/01 expires – 6/22/20
Europe	Sterilox Medical (Europe) Limited (UK)	00305288.3 filed – 6/22/00	Granted Pat. No. 1063005	issued – 11/24/04 expires – 6/22/2020 Validated in Germany, France, UK and Italy
Germany	Sterilox Medical (Europe) Limited (UK)	DE 600 16 093 (from EP 00305288.3)	Granted Pat. No. 1063005	issued – 11/24/04 expires – 6/22/2020
France	Sterilox Medical (Europe) Limited (UK)	(from EP 00305288.3)	Granted Pat. No. 1063005	issued – 11/24/04 expires – 6/22/2020
UK	Sterilox Medical (Europe) Limited (UK)	(from EP 00305288.3)	Granted Pat. No. 1063005	issued – 11/24/04 expires – 6/22/2020
Italy	Sterilox Medical (Europe) Limited (UK)	(from EP 00305288.3)	Granted* Pat. No. 1063005	issued – 11/24/04 expires – 6/22/2020
USA	Sterilox Medical (Europe) Limited (UK)	09/599,634 filed – 6/22/00	Granted Pat. No. 6,528,214 B1	issued – 3/4/03 expires – 6/22/2020

* Currently subject of restoration proceedings

Electrochemical cell with interference fit invention

Directed to an electrochemical cell in which the ceramic tube has limited freedom for longitudinal sliding relative to the electrodes.

Comments: The pending European application designates all available states and so there is the potential to validate beyond usual countries when granted.

The technology is currently exploited in PuriCore's systems.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
UK	Sterilox Technologies, Inc. (USA)	0316933.1 filed – 7/21/03	Granted Pat. No. 2,391,018	issued – 08/17/05 expires – 07/21/2023
PCT	Sterilox Technologies, Inc. (USA)	PCT/GB2003/003540 filed – 7/21/03 national stage in US, EPO, CA, JP	National	
US	Sterilox Technologies, Inc. (USA)	10/521,951 filed 1/21/05	Pending	
EP	Sterilox Technologies, Inc. (USA)	EP03765214.6 filed – 2/16/05	Pending	
Canada	Sterilox Technologies, Inc. (USA)	2493661 filed – 1/21/05	Pending	
Japan	Sterilox Technologies, Inc. (USA)	2004-522374 filed – 1/23/05	Pending	

Electrochemical cell with improved separator invention

Directed to an electrochemical cell that has an elastomeric cap that can conform to the shape of the separator.

Comments: Both US and International (PCT) applications are unpublished. The PCT application is not due to enter the national/regional phase until 6 November 2007. All PCT states designated.

No commercial exploitation of the technology by PuriCore to date.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
USA	Sterilox Technologies International Limited (UK)	11/123,144 filed – 05/06/05	Pending	
PCT	Sterilox Technologies International Limited (UK)	PCT/US06/07832 filed – 03/03/06	Pending	

Electrochemical cell with auxiliary chamber invention

Directed to electrochemical treatment of water in a device comprising a membrane electrolyser having anode and cathode flow chambers separated by a porous membrane. One of the two electrolytic chambers forms a "working chamber" whilst the other performs the role of "auxiliary chamber". The "working chamber" is responsible for producing the required output solution, while the water that flows through the auxiliary chamber is degassed and recirculated. The pressure in the working chamber is always greater than that in the auxiliary chamber and the water treated in the auxiliary chamber has a higher mineral content than the water treated in the working chamber. Water flows from bottom to top in both chambers.

Comments: The claimed technology is not used by PuriCore.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
UK	Sterilox Technologies International Limited (UK)	9105171.4 filed – 3/12/91	Granted Pat. No. 2,253,860	issued – 10/11/95 expires – 3/12/2011

Electrochemical cell with variable cross-section electrode invention

Directed to an electrolytic cell having a specific configuration.

Comments: This patent is jointly owned with Bakhir.

The claimed technology is not used by PuriCore.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
USA	Sterilox Technologies International Limited (UK) and Vitold M. Bakhir	157,039 priority from PCT/RU93/00075 filed – 3/25/94 (US) priority from RU 5035665 filed – 4/3/92	Granted Pat No. 5,427,667	issued – 6/27/95 expires – 3/25/2013

US1 biocidal solution invention

Directed to a biocidal solution having a pH from 4 to 7 and an available free chlorine content of from 500 to 1000ppm when produced from an electrolytic cell and to a method of producing the biocidal solution based upon certain process parameters.

Comments: The European application is pending and designates all available EPC states, so potential to validate granted patent beyond usual countries.

No commercial exploitation of technology by PuriCore to date.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
PCT (International)	Sterilox Technologies, Inc. (USA)	PCT/IB03/04660 filed – 9/22/03	National	
USA	David ANDERSON; Fred PFLEGER; Paul EACHUS; Michelle PORCELLI (all inventors)	10/521,090 filed – 1/12/05	Pending	
Europe (all EPC states designated)	Sterilox Technologies, Inc. (USA)	03751170.6 filed – 9/22/03	Pending	
Canada	Sterilox Technologies, Inc. (USA)	2496028 filed – 2/17/05	Pending	

US2 biocidal (reformulation) solution invention

Directed to a biocidal solution comprising free available chlorine and chlorine dioxide, a method of producing the solution, and a method of disinfecting an item by exposing the item to the biocidal solution.

Comments: The International (PCT) application is not due to enter the national/regional phase until 4 December 2006. All PCT states designated.

No commercial exploitation of technology by PuriCore to date.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
PCT (International)	Sterilox Technologies, Inc. (USA)	PCT/US05/19665 filed – 06/03/05	Pending	
USA	Zsolt KORTVELYESI; Howard MANN; Gilbert GORDON (all inventors)	11/344,142 filed – 02/01/06 (cont. of 11/143,724 abandoned)	Pending	

Wound care invention

Directed to the use of super-oxidised water based on hypochlorous acid for the preparation of a medicament having a pH of 4 to 7 for treatment of leg ulcers or other open wounds in a human or animal body by acting as a biocide and permitting cell proliferation for wound healing.

Comments: The European patent is currently undergoing validation in Germany, France, Italy and the UK.

No commercial exploitation of the technology by PuriCore to date.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
UK	Sterilox Medical (Europe) Limited (UK)	9919951.5 filed – 8/23/99	Granted Pat. No. 2,355,190	issued – 7/28/04 expires – 8/23/2019
PCT (International)	Sterilox Medical (Europe) Limited (UK)	PCT/US00/03264 filed – 8/23/00	National	
Canada	Sterilox Medical (Europe) Limited (UK)	2382569 filed – 8/23/00	Pending	
Europe (FR, DE, IT, UK)	Sterilox Medical (Europe) Limited (UK)	00954770.4 filed – 8/23/00	Granted Pat. No. 1214081	issued – 4/01/06 expires – 8/23/2020 (currently being validated)
USA	Sterilox Medical (Europe) Limited (UK)	10/830,878 filed 4/23/04 (div. of 10/084,518 abandoned)	Pending	
USA	Sterilox Medical (Europe) Limited (UK)	60/749,582 filed – 12/13/05	Pending	

Medical instrument coating invention

Directed to a method of protecting a medical instrument adapted to be inserted into and removed for re-use from a human or animal body against an oxidising sterilising or disinfecting solution by applying a temporary coating of oxidation-resistant material to protect the instrument over at least one sterilising/disinfecting cycle and to an applicator for applying a temporary coating.

Comments: Patents already granted in the US and UK.

Endoscope “wipes” are currently supplied to PuriCore’s customers in the United Kingdom.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
Canada	Sterilox Technologies International Limited (UK)	2383561 filed – 4/26/02	Pending	
Europe (FR, DE, IT, UK)	Sterilox Technologies International Limited (UK)	02252822.8 filed – 4/23/02	Pending	
UK	Sterilox Technologies International Limited (UK)	0110390.2 filed – 4/27/01	Granted UK Pat. No. 2,374,819	issued – 12/1/04 expires – 4/27/2021
UK	Sterilox Technologies International Limited (UK)	0421620.6 filed – 04/27/01 (div. of 0110390.2)	Granted UK Pat. No. 2,402,896	issued – 09/07/05 expires – 04/27/2021
USA	Sterilox Technologies International Limited (UK)	10/133,914 filed – 4/26/02	Granted Pat. No. 6,752,757	issued – 6/22/04 expires – 4/26/2022

Method of treating specified medical condition invention

Directed to a method of treating a particular disorder.

Comments: The application is unpublished at this stage and an International (PCT) application claiming priority from the USA application is not due to be filed until 22 February 2007 to extend protection outside the USA. Unlike in the USA, methods of medical treatment *per se* are not patentable in Europe. However claims may be re-formulated for Europe to protect patentable aspects of the invention.

No commercial exploitation of the technology by PuriCore to date.

Country	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
USA	Sterilox Medical (Europe) Limited (UK)	60/775,362 filed – 02/22/06	Pending	

“Pipeline” applications

There are currently two further inventions for which patent protection is being actively considered. We have been informed by US firm Morgan Lewis Bockius LLP that they are working closely with PuriCore personnel to prepare new applications for filing.

We have been advised that the technology being developed for which patent applications may be filed in the next few months relates to improvements to PuriCore’s systems for delivery of biocidal solution and to its endoscope reprocesser. To preserve PuriCore’s right to secure patent protection for these innovations, information must necessarily be excluded from our report.

Ownership

Apart from the exceptions listed below, all of the various patents and pending applications are registered in the name of PuriCore companies as sole proprietor. In particular, the patents and applications are held variously in the names of Sterilox Medical (Europe) Ltd, Sterilox Technologies International Ltd (both companies formed under the laws of England and Wales) and Sterilox Technologies, Inc. (US corporation formed under the state of Delaware), all of which are wholly owned subsidiaries of PuriCore.

In the US, it is a requirement that all patent applications be filed naming the inventor(s) as applicant(s). Assignments to PuriCore for the following applications have not yet been filed in the USPTO: Wound Care, US Serial No. 60/749,582; US1 Biocidal Solution, US Serial No. 10/521,090; US2 Biocidal Solution (Reformulation), US Serial No. 11/344,142; and Electrochemical Cell with Improved Separator, US Serial No. 11/123,144.

In addition, Electrochemical Cell with Variable Cross-section Electrode, US Patent No. 5,427,667, is owned jointly by Sterilox Technologies International Ltd and Vitold M. Bakhir (Bakhir), who was one of the co-inventors, and which relates to claimed cell technology that has now been superseded by PuriCore’s Electrochemical Cell with Interference Fit technology, UK Patent No. 2,391,018 and pending US, EP, Canadian and Japanese patent applications.

Strength of patent portfolio

Patent applications which preceded the granted patents and certain of the pending applications have been subjected to, or are currently the subject of, official patent office search and examination procedures. In the case of granted patents, where prior art documents were cited by the patent offices during examination of PuriCore's applications, there has been success in arguing against the citations, including by making claim amendments where appropriate, and grant has been obtained.

In the case of pending applications, it is never possible to be absolutely certain that grant will be obtained. However, where equivalent patents in the same family have already been granted in one or more territories, we believe there is a good chance that grant will be secured in the remaining territories.

In relation to protection of its current technology, the "Electrochemical Treatment of an Aqueous Solution" patent family covers PuriCore's systems for producing the biocidal solution and the "Electrochemical Cell with Interference Fit" patent family covers the cell technology used in the systems. Both these patent families extend to countries in North America and Europe.

There are currently only three pending patent families where no granted rights yet exist and all applications remain pending. These are the "US1" and "US2 Biocidal Solution" families and the "Electrochemical Cell with Improved Separator" family.

As mentioned in our Introduction to Patents, it is never possible to be absolutely certain that the validity of any granted patent cannot be successfully challenged by a third party. However, patentability will have been addressed with regard to all patent applications that have undergone examination and reached grant, and to that extent the patent applications have been deemed patentable over the prior art raised by the respective patent offices. We are not aware of any additional material that would give rise to concerns about validity of these granted patents. Furthermore, we are not aware of any threatened or actual challenges of any kind by third parties to the patent applications and patents of PuriCore.

Comments in relation to certain aspects of portfolio

There are several aspects of PuriCore's patent coverage on which we provide the following additional observations. Specifically, these comments relate to:

(i) limitation of "Electrochemical Cell with Auxiliary Chamber" protection to UK only

(ii) limitation of "Electrochemical Cell with Variable Cross-section Electrode" protection to US only

(iii) limitation of "Electrochemical Processing" protection to Europe only (validated in France, Germany, Italy and the UK)

Each of (i) to (iii) above relates to technology acquired by PuriCore as opposed to technology developed by PuriCore itself and all three are interlinked by virtue of Bakhir being a co-inventor.

With regard to (i), the "Electrochemical Cell with Auxiliary Chamber" technology covered by the UK patent, this technology has been superseded by the "Electrochemical Cell with Interference Fit" technology and the patent's claims do not cover the cells used in PuriCore's current systems.

With regard to (ii), the "Electrochemical Cell with Variable Cross-section Electrode" technology covered by the US patent (jointly owned with Bakhir) also has claims which do not cover the current cell technology used by PuriCore.

With regard to (iii), the "Electrochemical Processing" technology was developed jointly by personnel at Enigma Limited and Emerald (both subsequently acquired by PuriCore). Despite being employed by Emerald at the time of that development, Bakhir apparently separately patented related technology in the US and failed to name the Enigma employees as inventors and co-applicants on his separately filed US patent application. While there can never be any guarantee of a particular outcome in any litigation, our opinion, which is supported by the opinion of PuriCore's US patent attorneys and based on information from PuriCore regarding the facts underlying the foregoing events, is that (in the event any such Bakhir patent stemming from the above separately filed US application was asserted against PuriCore), Bakhir's failure to name these Enigma employees as co-inventors on that separately filed US application should form a sound basis for PuriCore to assert that any claim directed to the foregoing related technology that issues in such a patent is invalid and/or unenforceable, and that potentially one or more of these Enigma employees should be named as inventors on that patent and should then be obligated to assign their rights in that patent to PuriCore.

POTENTIAL INFRINGEMENT OF PURICORE'S PATENT RIGHTS

We are aware of only one potential infringement of PuriCore's patent rights. Specifically, a third party has recently been identified as supplying conditioning wipes to complement that party's disinfecting products, just as PuriCore supplies its own conditioning wipes to complement its solutions. PuriCore's wipes are covered by its United Kingdom Patent Nos. 2,402,896 and 2,374,819 (in the "Medical Instrument Coating" patent family) and an initial analysis has indicated that the third party's wipes are likely to infringe one or both patents.

The "wipe" technology is beneficial to PuriCore in terms of its potential to add value to the disinfecting systems offered for endoscope cleaning, but the associated patents are not core to operation of its main business. It is our understanding that PuriCore is currently considering its options in relation to the situation. If a decision is taken to enforce its "wipe" patents against the third party, it would be usual for the third party to challenge the validity of the patents in its defence. Whilst we are not aware of any prior art that may invalidate the patents, if such a challenge were to succeed, it is our opinion that the loss of the "wipe" patents *per se* would have no affect on PuriCore's ability to continue supplying wipes to its customers.

THIRD PARTY PATENT RIGHTS

We understand that none of the technology it uses currently is based upon patents licensed to it by third parties.

Where DKA has been involved in reviewing prior art cited against pending PuriCore applications, we have not extended the review beyond looking at patentability. Moreover, it is our understanding that no formal freedom to operate searches have been carried out for PuriCore. However, given the relative size of PuriCore, we do not regard this as unusual.

Whilst we cannot rule out the risk that PuriCore may be unknowingly infringing third party patents, we note that its first commercially successful system, the Maxigen system, was launched in 1999 and to date no threats of patent infringement have emerged.

We have become aware of the existence of a US patent, a European patent application and possible pending applications in Australia and South Africa directed towards disinfection of an animal product using an electrochemically produced biocidal solution. None of PuriCore's main activities are affected by these patents and in any event the patents are of doubtful validity.

TRADE MARKS

In addition to its patent portfolio, PuriCore has applied to register certain of its trade marks to provide exclusivity of use. As with patents, trade mark rights are territorial in nature and PuriCore has generally sought protection for its marks in the United States and Europe.

Unlike patents, which have a finite life-span, registered trade marks may be kept in force indefinitely provided they are used in commerce and other appropriate steps are followed. Rather than "expiry" dates, the dates entered in the PuriCore Trade Mark Portfolio detailed below therefore indicate when the mark is due for renewal, assuming PuriCore wishes to maintain the registrations.

PURICORE TRADE MARK PORTFOLIO

Mark	*Country*	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/ Expiry Date*
ACTIVE ICE					
	USA	Sterilox Technologies Holding, Inc.	78/444,404 filed – 7/01/04	Pending	
APPLIED AQUAMETICS					
	USA	Sterilox Technologies Holding, Inc.	78/884,670 filed – 5/16/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/884,675 filed – 5/16/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/884,678 filed – 5/16/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/884,686 filed – 5/16/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/884,699 filed – 5/16/06	Pending	

Mark	*Country*	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
	USA	Sterilox Technologies Holding, Inc.	78/884,695 filed – 5/16/06	Pending	
	Community Trade Mark	Sterilox Technologies Holding, Inc.	005081492 filed – 5/17/06	Pending	
AQUALOX					
	Community Trade Mark	Sterilox Technologies, Inc.	1592591 filed – 3/28/00	Registered 1592591	granted – 7/19/04 renewal due – 3/28/2010
	USA	Sterilox Technologies Holding, Inc.	76/146,464 filed – 10/13/00	Pending	
AQUATINE					
	USA	Sterilox Technologies Holding, Inc.	78/884,659 filed - 5/16/06	Pending	
	Community Trade Mark	Sterilox Technologies Holding, Inc.	005081501 filed – 5/17/06	Pending	
BIOPTICA					
	United Kingdom	Sterilox Technologies, Inc.	2190093 filed – 2/25/99	Registered 2190093	granted – 8/06/99 renewal due – 2/25/2009
ENIGMA					
	Community Trade Mark	Sterilox Technologies International Limited	776724 filed – 3/20/98	Registered 776724	granted – 1/11/00 renewal due – 3/20/2008
NIMROD					
	United Kingdom	Sterilox Technologies International Limited	2161812 filed – 3/21/98	Registered 2161812	granted – 4/06/99 renewal due – 3/21/2008
OPTIFLEX					
	Community Trade Mark	Sterilox Technologies, Inc.	1352459 filed – 10/14/99	Registered 1352459	granted –12/19/00 renewal due – 10/14/2019
POLYMAX					
	Community Trade Mark	Sterilox Technologies, Inc.	1352152 filed – 10/14/99	Registered 1352152	granted – 4/06/01 renewal due – 10/14/2019
PURICORE					
	Community Trade Mark	Sterilox Technologies Holding, Inc.	5020128 filed – 4/13/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/860,793 filed – 4/13/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/860,795 filed – 4/13/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/860,796 filed – 4/13/06	Pending	
	USA	Sterilox Technologies Holding, Inc.	78/860,804 filed – 4/13/06	Pending	

Mark	*Country*	*Proprietor*	*Appl. No./Filing Date*	*Status*	*Grant Date/Expiry Date*
STERILOX					
	Community Trade Mark	Sterilox Technologies, Inc.	554105 filed – 6/05/97	Registered 554105	granted – 7/24/01 renewal due – 6/5/07
	Japan	Sterilox Technologies, Inc.	H09143997 filed – 8/01/97	Registered 4229381	granted – 9/14/99 renewal due – 1/14/09
	United Kingdom	Sterilox Technologies, Inc.	2217154 filed – 12/09/99	Registered 2217154	granted –11/30/01 renewal due – 12/9/09
	USA	Sterilox Technologies Holding, Inc.	76/977,484 filed – 9/11/01	Pending	
	Community Trade Mark	Sterilox Technologies, Inc.	5018114 filed – 4/12/06	Pending	
STEROX					
	United Kingdom	Sterilox Medical (Europe) Limited	2117338 filed 12/02/96	Registered 2117338	granted – 6/08/01 renewal due – 12/02/06
	United Kingdom	Sterilox Medical (Europe) Limited	2066879 filed 3/29/96	Registered 2066879	granted – 8/11/07 renewal due – 3/29/16
THERICOR					
	USA	Sterilox Technologies Holding, Inc.	78/836,827 filed 3/14/06	Pending	
VASHE					
	USA	Sterilox Technologies Holding, Inc.	78/836,837 filed 3/14/06	Pending	
	Community Trade Mark	Sterilox Technologies Holding, Inc.	5106273 filed – 5/30/06	Pending	

PuriCore subscribes to an international watching service in respect of its “Sterilox”, “Aqualox” and “PuriCore” trade marks; in this way, it can receive a warning of any third party attempting to register the same or a confusingly similar trade mark and take action if necessary to avoid dilution of its own trade marks.

Currently, PuriCore is awaiting a decision from the UK Trade Marks Registry in respect of an opposition it filed against an application by Ozone Systems Ltd to register the mark “STERITROX”. Whilst Ozone Systems’ technology is ozone-based and hence different to PuriCore’s technology, which is based upon hypochlorous acid, the Registrar’s preliminary opinion was that there was sufficient similarity between the marks to create a likelihood of confusion and that the opposition should succeed. A Hearing took place on 22 February 2006 and the final decision of the Registrar is awaited. Any further action by PuriCore in respect of Ozone Systems’ use of the mark “STERITROX” is being deferred pending the outcome of the Hearing.

Other than the “STERITROX” situation referred to above, we are not aware of any third party infringements of PuriCore’s registered trade marks, nor are we aware that PuriCore has received any warnings that it may be infringing third party registrations.

Yours faithfully.

David Keltie Associates

PART XV: ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

1.1 The Company whose registered office appears in paragraph 2 below, and the Directors whose names appear on page 22 of this document, accepts responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Cambridge Consultants Limited whose registered office appears on page 124, accept responsibility for the purpose of Prospectus Rule 5.5.3R(2)(f) for its report contained in Part XIII of this document. Cambridge Consultants Limited has given and not withdrawn its written consent to the inclusion in this document of its report in the form and context in which it appears and has authorised the contents of its report for the purposes of Prospectus Rule 5.5.3R(2)(f).

1.3 David Keltie Associates whose registered office appears on page 147, accept responsibility for the purpose of Prospectus Rule 5.5.3R(2)(f) for their report included in Part XIV of this document. David Keltie Associates has given and not withdrawn its written consent to the inclusion in this document of its reports in the form and context in which they appear and authorise the contents of those reports for the purposes of Prospectus Rule 5.5.3R(2)(f).

1.4 KPMG LLP whose registered office appears on page 67, accept responsibility for the purpose of Prospectus Rule 5.5.3R(2)(f) for the information contained in their report included in Part XI of this document. KPMG LLP has given and not withdrawn its written consent to the inclusion in this document of its reports in the form and context in which they appear and authorise the contents of those reports for the purposes of Prospectus Rule 5.5.3R(2)(f).

2. THE COMPANY, INCORPORATION, REGISTRATION AND HEAD OFFICE

2.1 The Company was incorporated under the name PuriCore plc on 21 April 2006 under the Act as a public company limited by shares and registered in England and Wales with number 5789798.

2.2 The principal legislation under which the Company operates, and under which the Ordinary Shares have been created, is the Act and the regulations thereunder.

2.3 The registered office of the Company is at Wolseley House, Dyson Way, Staffordshire Technology Park, Beaconside, Stafford ST18 0AG, UK. The Company's telephone number is +44(0) 1785 782420.

2.4 The corporate headquarters of the Company is at 320 King of Prussia Road, Radnor, Pennsylvania, 19087, USA. As at 1 July 2006 the corporate headquarters of the Company will be 508 Lapp Road, Malvern, Pennsylvania 19355, USA.

2.5 On 26 June 2006 on completion of the merger (the "Merger") described in paragraph 6.1 below, the Company became the parent company of the Group.

2.6 Until such time as the Merger was consummated, PuriCore, Inc., formerly known as Sterilox Technologies, Inc., the US holding company, remained the parent company of the Group.

2.7 PuriCore, Inc. was incorporated on 21 February 1997 under the General Corporation Law of the State of Delaware USA as a Delaware Corporation. The share capital history of PuriCore, Inc. for the period covered by the historical financial information contained in this document is set out at paragraph 4 below.

2.8 The registered office of PuriCore, Inc. in the State of Delaware is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle.

2.9 The principal legislation under which PuriCore, Inc. operates is the General Corporation Law of the State of Delaware.

3. PURICORE PLC SHARE CAPITAL

3.1 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 shares of £1.00 each, of which 2 Ordinary Shares were allotted as Subscriber Shares at a price of £1.00 each to each of Keith Goldan and Gregory Bosch. The balance of 49,998 Redeemable Shares are held by Gregory Bosch, and which will be redeemed at par out of the proceeds of the Placing.

3.2 On 16 May 2006, the Company passed a special resolution to sub-divide its ordinary share capital and to redesignate its ordinary shares of £1.00 each as ordinary shares of £0.01 each. The Company also passed a special resolution to increase its authorised share capital from £50,000 to £2,049,998. On 26 June 2006, the Company passed a special resolution to increase its authorised share capital from £2,049,998 to £2,149,998.

3.3 The authorised, issued and fully paid share capital of the Company as at the date of publication of this document is as follows:

Class	*Authorised (Number)*	*£*	*Issued (Number)*	*£*
Ordinary	210,000,000	0.01	106,384,246	1,063,843
Redeemable	49,998	1.00	49,998	49,998

3.4 The Company also passed a special resolution on 16 May 2006 approving entry by the Company into the Merger as described at paragraph 6.1 below and approving the Merger documents.

3.5 On 26 June 2006, the Company passed ordinary and special resolutions as follows:

(a) to authorise the Directors under s80 of the Act to exercise all powers of the Company to allot relevant securities as defined in s80(2) of the Act for the purposes of allotting equity securities in connection with:

(i) the reorganisation and Merger described in paragraph 6.1 of this Part XV;

(ii) the Placing;

(iii) the grant of options and allotment of shares on exercise thereof under the New Scheme approved by the Company's shareholders;

(iv) the grant of options and allotment of shares in respect of PuriCore options granted to individual option holders in exchange for PuriCore, Inc. options;

(v) the grant of options and allotment of shares in respect of the grant of new share options to a consultant of PuriCore;

(vi) the grant of options and allotment of shares in PuriCore to option holders who accept the relevant exchange offer under the 2004 Share Scheme;

(vii) the grant of options by the Company in exchange for options granted by PuriCore, Inc. to option holders under the 2005 Scheme;

(viii) the issue of warrants and allotment of shares in PuriCore to warrant holders of PuriCore, Inc. in exchange for the PuriCore, Inc. warrants; and

(ix) the grant of options to purchase shares in the Company to non-executive directors and consultants of the Company and its subsidiaries at such times as the board may deem appropriate and subject to the limits set out in The New Scheme.

such authority to expire at the conclusion of the Company's Annual General Meeting to be held in calendar year 2007.

(b) to disapply the statutory pre-emption provisions to empower the Directors pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to 94(3A) of the Act) wholly for cash pursuant to the authority referred to in paragraph 3.5(a) above as if section 89(1) of the Act did not apply any such allotment, provided that the power conferred by such resolution be limited to the allotment of equity securities:

(i) pursuant to the Placing;

(ii) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusion or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(iii) otherwise than pursuant to sub paragraph (a) above up to an aggregate nominal amount of not more than five *per cent* of the Company's issued ordinary share capital,

and shall expire on the conclusion of the Company's Annual General Meeting to be held in calendar year 2007 and the Company may, prior to the expiry of such power, make any offer or agreement which requires or might require equity securities to be allotted after the expiry of such period.

(c) to approve and adopt the rules of the PuriCore plc New Scheme as defined in paragraph 12.3 of this Part XV and to approve the grant of options under the New Scheme and to authorise the Directors to do all acts and things necessary or expedient to carry the same into effect;

(d) in respect of individual option holders granted options by PuriCore, Inc., to approve the despatch of letters to be sent to such individual option holders confirming the exchange of options, and approving the grant of new PuriCore options in exchange for PuriCore, Inc. options;

(e) to approve the grant of new share options to a consultant of PuriCore;

(f) to approve the form and despatch of letters to option holders under the 2004 Share Scheme, the grant of PuriCore options to option holders who accept the relevant exchange offer and approval for the grant of new option certificates in respect thereof;

(g) to approve the form and despatch of letters to option holders under the 2005 Share Scheme, confirming the exchange of options and approving the grant of new options by the Company in exchange for options granted by PuriCore, Inc under the 2005 Scheme;

(h) to approve the form and despatch of letters to be sent to warrant holders of PuriCore, Inc. confirming the exchange of warrants, and approving issue of new PuriCore warrants in exchange for the PuriCore, Inc. warrants;

(i) to approve the grant of options to purchase shares of the Company to non-executive directors and consultants of the Company and its subsidiaries at such times and under such terms as the board of directors deems appropriate, provided that such grants made on or after June 26, 2006, when aggregated with grants made under the New Scheme, shall not exceed 10 per cent of the issued share capital of the Company (as such limit is set forth in the New Scheme);

(j) to approve the redemption on Admission of the 49,998 redeemable shares held by Gregory Bosch at a price of £1.00 per redeemable share; and

(k) to adopt the new Memorandum and Articles of Association of the Company.

3.6 The authorised, issued and fully paid ordinary share capital of the Company as it is expected to be immediately following Admission is as follows:

Ordinary Shares of 1p each	*Authorised*		*Issued*	
	Number	*£*	*Number*	*£*
	210,000,000	2,100,000	151,838,792	1,518,388

3.7 The Ordinary Shares in the Company to be issued pursuant to the Placing will, on Admission rank *pari passu* in all respects with each other and with all the other Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

4. PURICORE, INC. SHARE CAPITAL

4.1 PuriCore, Inc. was incorporated with an authorised share capital of 10,000,000 shares of common stock, par value $0.01 per share. PuriCore, Inc. was incorporated in the State of Delaware on 21 February 1997.

4.2 The authorised and issued and outstanding share capital of PuriCore, Inc. as of 25 June 2006 was: Common Stock, par value $0.001 per share, 150,000,000 shares authorised, 106,384,046 shares issued and outstanding.

4.3 There have been three amendments to the Certificate of Incorporation affecting the authorised share capital of PuriCore, Inc. filed with the Secretary of State of the State of Delaware as set out below:

(i) Certificate of Amendment of Certificate of Incorporation, dated 31 March 1997: increased the number of shares which the Company has authority to issue to 50,000,000 shares of common stock, par value $0.001 per share. This amendment was adopted pursuant to Section 241 of the General Corporation Law of the State of Delaware.

(ii) Certificate of Amendment of Certificate of Incorporation, dated 7 November 2000: increased the number of shares which the Company has authority to issue to 100,000,000 shares of common stock, par value $0.001 per share. This amendment was adopted pursuant to Section 242 of the General Corporation Law of the State of Delaware.

(iii) Certificate of Amendment of Certificate of Incorporation, dated 11 March 2005: increased the number of shares which PuriCore, Inc. has authority to issue to 150,000,000 shares of common stock, par value $0.001 per share. This amendment was adopted pursuant to Section 242 of the General Corporation Law of the State of Delaware.

4.4 There was one additional amendment to the Certificate of Incorporation filed with the Secretary of State of the State of Delaware which is described below.

(i) Certificate of Amendment of Certificate of Incorporation, dated 29 October 2003: amended the certificate of incorporation to provide (i) for a classified board of directors in which the directors are divided into three classes and each class of directors is elected to office by the shareholders every three years and (ii) that no amendments may be made to this provision of the Certificate of Incorporation unless such action is approved by the affirmative vote of the holders of not less than 80 *per cent* of the outstanding shares of stock of PuriCore, Inc. entitled to vote in the election of directors. This amendment was adopted pursuant to Section 242 of the General Corporation Law of the State of Delaware.

5. GRANTS OF COMMON STOCK BY PURICORE, INC. DURING THREE FINANCIAL YEARS PRECEDING THE DATE OF THIS DOCUMENT:

5.1 In the year from 1 January 2003 to 31 December 2003, PuriCore, Inc. issued 550,000 common shares, par value $0.001 per share, each at a price of $1.50.

5.2 In the year from 1 January 2004 to 31 December 2004, PuriCore, Inc. issued 2,176,665 common shares, par value $0.001 per share, each at a price of $2.25 pursuant to the exercise of stock options; 1,025,000 common shares, par value $0.001 per share, each at a price of $0.50 pursuant to the exercise of warrants; and 500,000 common shares, par value $0.001 per share, each at an imputed price of $0.52 pursuant to an agreement underlying the grant of a stock option.

5.3 In the year from 1 January 2005 to 31 December 2005, PuriCore, Inc. issued 47,257,646 common shares, par value $0.001 per share, each at a price of $0.50 pursuant to a rights offering; 1,700,000 common shares, par value $0.001 per share, each at a price of $0.50 pursuant to private placements; 4,023,348 common shares, par value $0.001 per share, each at a price of $1.15 pursuant to an exchange of notes; 200,000 common shares, par value $0.001 per share, each at a price of $0.825 pursuant to private placements; and 1,086,957 common shares, par value $0.001 per share, each at a price of $0.92 pursuant to private placements.

5.4 Treasury purchased back 147,471 common shares at a price of $0.60 in October 2005 pursuant to a tender offer. Additionally, in 2005, 351,448 common shares were entered into Treasury related to non-payment of a Rights Offering subscription. Treasury shares totaling 498,919 were resold in 2005, each at a price of $0.60 pursuant to private placements.

5.5 In the year from 1 January 2006 to 25 April 2006, PuriCore, Inc. issued 6,521,739 common shares, par value $0.001 per share, each at a price of $0.92.

6. PARENT COMPANY REORGANISATION AND SUMMARY TERMS OF THE MERGER

6.1 In order for the Group to effect a reorganisation resulting in the Group having a UK holding company, the shareholders of PuriCore, Inc. pursuant to a share for share exchange effected by a Statutory Merger under Delaware Law on 26 June 2006, became shareholders in PuriCore plc. The procedure was as follows:

- On 21 April 2006 the Company was incorporated with an authorised share capital of £50,000 divided into 50,000 shares of £1.00 each, of which 2 Ordinary Shares were allotted as Subscriber Shares at a price of £1.00 each to each of Keith Goldan and Gregory Bosch. The balance of 49,998 Redeemable Shares are held by Gregory Bosch.
- On 16 May the Company subscribed for 1 share in Sterilox MergerCo being the entire issued share capital of Sterilox MergerCo.

- On 16 May PuriCore, Inc. and Sterilox MergerCo entered into an agreement under the terms of which on 26 June 2006 Sterilox MergerCo merged with and into PuriCore, Inc. and PuriCore, Inc. became a wholly owned subsidiary of the Company. Under the terms of the Merger Agreement, shareholders in PuriCore, Inc. were entitled to receive 1 Ordinary Share in the Company for each share of PuriCore, Inc. which was then held.
- When the Merger became effective on 26 June 2006, the Company offered to grant new options to all employees who currently hold options to acquire shares under the existing 2004 Share Schemes (see below) on substantially the same terms and conditions as their current options, in exchange for the cancellation of their existing options over shares in PuriCore, Inc. Any options over shares granted pursuant to the 2004 Share Scheme which are held by an employee who does not accept this exchange offer within 28 days will automatically lapse. In relation to options granted under the 2005 Share Scheme, the Company will grant new options in exchange for the existing options on substantially the same terms and conditions. All other individuals and entities which hold options or warrants over shares in PuriCore, Inc. have also been granted new options and warrants in exchange for their existing options and warrants over shares in PuriCore, Inc., on substantially the same terms and conditions.

6.2 Shareholder approvals and other conditions

The Merger implemented pursuant to the Merger Agreement was subject to certain conditions being satisfied. These conditions have been satisfied and included:

(i) the Merger and the other transactions contemplated by the Merger Agreement being duly approved by the Boards of Directors of the Company, PuriCore, Inc. and Sterilox MergerCo; and

(ii) the Company having received in respect of the Merger consent from H.M. Treasury pursuant to section 765 of the Income and Corporation Taxes Act 1988 in the UK or confirmation that no such consent is required.

7. OPTIONS AND WARRANTS

7.1 Following the consummation of the Merger described above the following options are outstanding over Ordinary Shares in the Company.

Date of grant	*No. of Ordinary Shares*	*Grant Price*	*Date from which Exercisable*	*Expiration Date*
21/7/1999	2,500	$1.660	21/07/1999	20/07/2006
16/8/1999	123,750	$1.660	16/08/1999	15/08/2006
28/6/2001	345,500	$2.425	28/06/2001	27/06/2008
28/6/2001	55,000	$1.000	28/06/2001	27/06/2008
1/12/2001	300,000	$1.000	01/12/2001	30/11/2008
4/12/2001	30,000	$1.000	04/12/2001	03/12/2008
4/12/2001	20,000	$2.425	04/12/2001	03/12/2008
30/12/2001	700,000	$2.425	30/12/2001	29/12/2008
30/12/2001	100,000	$1.000	30/12/2001	29/12/2008
18/3/2002	600	$3.200	18/03/2002	17/03/2009
24/4/2002	90,000	$1.000	24/04/2002	23/04/2009
1/7/2002	100,000	$1.000	01/07/2002	30/06/2009
1/1/2003	1,001,000	$1.000	01/01/2003	31/12/2009
1/1/2003	750,000	$3.250	01/01/2003	31/12/2009
1/1/2003	750,000	$2.425	01/01/2003	31/12/2009
10/3/2003	10,000	$1.000	10/03/2003	09/03/2010
24/3/2003	10,000	$1.000	24/03/2003	23/03/2010
14/4/2003	5,000	$1.000	14/04/2003	13/04/2010
19/8/2003	40,000	$1.000	19/08/2003	18/08/2010
1/9/2003	5,000	$1.000	01/09/2003	31/08/2010
2/12/2003	10,000	$1.000	02/12/2003	01/12/2010
1/1/2004	50,000	$1.000	01/01/2004	31/12/2010
24/2/2004	90,000	$1.000	24/02/2004	23/02/2011
12/4/2004	100,000	$1.000	12/04/2004	12/04/2011
2/5/2004	10,000	$1.000	02/05/2004	02/05/2011
4/10/2004	300,000	$1.000	04/10/2004	03/10/2014
1/11/2004	1,178,100	$1.000	01/11/2004	31/10/2014
20/5/2005	4,850,004	$0.825	20/05/2005	19/05/2010
20/5/2005	999,996	$0.825	20/05/2005	19/05/2010
20/5/2005	692,043	$0.825	20/05/2005	19/05/2010
20/5/2005	307,957	$0.825	20/05/2005	19/05/2010
1/7/2005	835,000	$0.825	01/07/2005	30/06/2010
1/7/2005	1,471,666	$0.825	01/07/2005	30/06/2010
1/7/2005	83,334	$0.825	01/07/2005	30/06/2010
26/8/2005	450,000	$0.825	26/08/2005	25/08/2010
26/8/2005	20,000	$0.825	26/08/2005	25/08/2010
18/11/2005	20,000	$0.825	18/11/2005	17/11/2010
18/11/2005	75,000	$0.825	18/11/2005	17/11/2010
18/11/2005	95,000	$0.825	18/11/2005	17/11/2010
18/11/2005	10,000	$0.825	18/11/2005	17/11/2010
23/2/2006	900,000	$1.000	23/02/2006	22/02/2011
23/02/2006	530,000	$1.000	23/02/2006	23/02/2012
23/02/2006	125,000	$1.000	23/02/2006	23/02/2011
23/02/2006	720,000	$1.000	23/02/2006	23/02/2012
23/02/2006	50,000	$1.000	23/02/2006	23/02/2011
23/2/2006	450,000	$1.000	23/02/2006	21/09/2014
23/06/2006	315,000	$1.263	23/06/2007	23/06/2011
Total Options	19,176,450			

7.2 As may be seen from 7.1, PuriCore granted 315,000 options to employees under the New Scheme on 27 June 2006. No further options will be granted under the New Scheme prior to Admission, and there is currently no proposal to grant further options under the New Scheme.

7.3 In addition to the options listed in 7.1, the Company has offered to grant replacement options to those employees who hold options over shares in Puricore Inc. under the 2004 Share Scheme. If all of the employees accept this offer, then options will be granted by the Company over a further

229,500 Ordinary Shares, thus increasing the total number of outstanding options over Ordinary Shares to 19,405,950.

The new options will have an expiry date of 21 September 2014.

7.4 As at the date of this document, the following Warrants are outstanding in respect of the Company's share capital. Each warrant outstanding and unexercised as at the date of this document shall be amended such that it represents a right to acquire shares in the capital of PuriCore plc rather than in PuriCore, Inc.

Holder	*No. of shares represented by Warrant*	*Expiry Date*	*Exercise Price $*	*Total Value $*	*Date Granted*
Atkins Financial Investment Ltd.	70,500	04/12/2007	3.20	225,600	15/03/02
Mike Sapountzoglou	25,000	04/12/2007	3.20	80,000	15/03/02
Smallwood Asset Management	75,000	04/12/2007	3.20	240,000	15/03/02
David Anderson	42,789	04/12/2007	3.20	136,925	18/04/02
Woolwich International Holdings Limited	56,400	04/12/2007	3.20	180,480	15/03/02
Noble Financial Management Ltd.	200,000	17/04/2008	3.00	600,000	17/04/03
TSD, Inc.	11,077	01/04/2009	3.25	36,000	01/04/04
Woolwich International Holdings Limited	1,000,000	31/12/2007	0.50	500,000	31/12/04
Woolwich International Holdings Limited	108,696	31/12/2007	0.92	100,000	31/12/05
Carule Limited	652,174	31/01/2009	0.92	600,000	19/01/06
Commerce Bank N.A.	200,000	19/04/2009	1.00	200,000	19/04/06
Total Warrants	2,441,636				

7.5 The terms and conditions relating to the exercise of the options referred to at paragraph 7.1 above are set out in paragraph 12 hereof under the heading "Incentive Schemes".

8. DETAILS OF THE GROUP

8.1 On consummation of the Merger, the Company became the holding company of the Group. The Company has the following (directly or indirectly) wholly owned Subsidiary undertakings:

	Name	*Country of Incorporation*	*Shareholder*	*Purpose*
(i)	PuriCore, Inc.	US	Company	Former US Holding Company
(ii)	PuriCore International Limited	UK	PuriCore, Inc.	Principal UK Operating Company
(iii)	PuriCore Management, Inc.	US	PuriCore, Inc.	Management Company
(iv)	PuriCore Operating, Inc.	US	PuriCore, Inc.	Intended Operating Company
(v)	PuriCore Holding, Inc.	US	PuriCore, Inc.	Intended Holding Company
(vi)	PuriCore Europe Limited	UK	PuriCore, Inc.	Former UK Operating Company

8.2 The Company has a number of dormant subsidiaries in the UK which are in the process of being struck off the register of companies in the UK. The Company also has a number of dormant subsidiaries in the US.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

9.1 The memorandum of association of PuriCore plc provides that the Company's principal objects are to carry on the business of a general commercial company. The objects of the Company are set

out in full in clause 4 of the Company's memorandum of association which is available for inspection as provided in paragraph 26 of this Part XV -"Additional Information".

9.2 The following is a summary of certain provisions of the Articles which were adopted pursuant to a special resolution of the Company passed on 26 June 2006:

(a) Dividends

(i) Subject to the provisions of the Companies Acts, PuriCore may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

(ii) Subject to the provisions of the Companies Acts, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution, The Board may also pay at intervals determined by it any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

(iii) No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

(iv) The Board may withhold payment from a person of any dividend or scrip dividend in respect of shares in the Company if those shares represent at least a quarter of one *per cent* interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a direction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Act.

(v) Except as otherwise provided by the rights attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid but, if any share is allotted or issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

(vi) The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

(vii) Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

(b) Distribution of assets on winding up

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to share in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

(c) General meetings

(i) All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings.

(ii) The Board may call general meetings whenever and at such times and places as it shall determine. On the requisition of members pursuant to the provisions of the Act, the Board shall promptly convene an extraordinary general meeting in accordance with the requirements of the Act.

(iii) An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of

the Act, to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be sent to all the members, to each of the directors and to the auditors.

(iv) The notice shall specify the time and place of the meeting (including without limitation any satellite meeting place, which shall be identified as such in the notice) and, in the case of special business, the general nature of that business. All business that is transacted at an extraordinary general meeting shall be deemed special. All business transacted at an annual general meeting shall be deemed special except:

(A) the declaration of dividends;

(B) the consideration and adoption of the accounts and balance sheet and the reports of the directors and auditors and other documents required to be annexed to the accounts;

(C) the appointment and re-appointment of Directors;

(D) the appointment of auditors where special notice of the resolution for such appointment is not required by the Companies Acts; and

(E) the fixing of, or the determining of the method of fixing, the remuneration of the Directors or auditors.

(v) In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special or extraordinary resolution, the notice shall specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be.

(vi) The Board may resolve to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world. The members present in person or by proxy at satellite meeting places shall be counted in the quorum for, and entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the chairman of the general meeting is satisfied that adequate facilities are available throughout the general meeting to ensure that members attending at all the meeting places are able to:

(A) participate in the business for which the meeting has been convened;

(B) hear and see all persons who speak (whether by the use of microphones, loudspeakers, audio-visual communications equipment or otherwise) in the principal meeting place and any satellite meeting place; and

(C) be heard and seen by all other persons so present in the same way.

The chairman of the general meeting shall be present at, and the meeting shall be deemed to take place at, the principal meeting place.

(vii) The Board may make arrangements for persons entitled to attend a general meeting or an adjourned general meeting to be able to view and hear the proceedings of the general meeting or adjourned general meeting and to speak at the meeting (whether by the use of microphones, loudspeakers, audio-visual communications equipment or otherwise) by attending at a venue anywhere in the world not being a satellite meeting place. Those attending at any such venue shall not be regarded as present at the general meeting or adjourned general meeting and shall not be entitled to vote at the meeting at or from that venue. The inability for any reason of any member present in person or by proxy at such a venue to view or hear all or any of the proceedings of the meeting or to speak at the meeting shall not in any way affect the validity of the proceedings of the meeting.

(viii) The Board may from time to time make any arrangements for controlling the level of attendance at any venue as described in paragraph VII above (including without limitation the issue of tickets or the imposition of some other means of selection) as it in its absolute discretion considers appropriate, and may from time to time change those arrangements. If a member, pursuant to those arrangements, is not entitled to attend in person or by proxy at a particular venue, he shall be entitled to attend in person or by proxy at any other venue for which arrangements have been made as described in paragraph VII above. The entitlement of any member to be present at such venue in person or by proxy shall be subject to any such arrangement then in force and stated by the notice of meeting or adjourned meeting to apply to the meeting.

(ix) The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy and have access to all documents which are required by the Act or the Articles to be made available at the meeting.

(x) A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the capital of the Company. The chairman may invite any person to attend and speak at any general meeting of the Company if he considers that such person has the appropriate knowledge or experience of the Company's business to assist in the deliberations of the meeting.

(d) Voting

Subject to the rights and restrictions attached to any class of shares:

(i) on a show of hands, every member present in person shall have one vote; and

(ii) on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder,

provided that no member shall be entitled to vote in relation to shares held by them unless all moneys presently payable by them in respect of those shares have been paid.

(e) Variation of rights

Subject to the provisions of the Act, rights attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by those rights, or in the absence of any provision, either with the written consent of the holders of not less than three quarters in nominal value of the issued shares of that class (excluding shares of that class held by the Company as treasury shares), or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

(f) Alteration of share capital

PuriCore may from time to time by ordinary resolution increase, consolidate and divide or, subject to the Companies Acts, subdivide all or any part of its share capital. PuriCore may by ordinary resolution also cancel any shares that have not, at the date of passing the resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

(g) Allotment and issue of shares

Subject to the provisions of the Act and the Articles and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine. Subject to the provisions of the Act and the Articles the unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Board.

(h) Redeemable shares and purchase of own shares

Subject to the Act, and without prejudice to any rights attaching to any existing shares or class of shares, in such manner as is provided in the Articles, shares may be issued that are to be redeemed or which at the option of the Company or the holder are liable to be redeemed.

Subject to the Act and to the requirements of the Listing Rules of the Listing Rules and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

(i) Transfer of shares

(i) A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall

be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

(ii) The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which:

(A) is not a fully paid share, provided that the refusal does not prevent dealings in shares of the class in the Company from taking place on an open and proper basis;

(B) is in respect of more than one class of shares;

(C) is not lodged, duly stamped (if stampable), with the Company and (except where the shares are registered in the name of a recognised person (as defined in the Articles) and no certificate shall have been issued thereof) accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may require; or

(D) is in favour of more than four persons.

(iii) The Board may refuse to register a transfer of shares in the Company by a person if shares representing at least a 1/4 of one *per cent* interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a notice pursuant to section 212 of the Act after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Act unless (i) the transfer is an excepted transfer (as defined in the Articles), (ii) the relevant member is not himself in default as regards supplying the information required and he proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or (iii) the transfer of the shares is required to be registered by the CREST Regulations.

(iv) Notice of refusal to register a transfer must be sent to the transferee within two months after the date on which the instrument of transfer was lodged with the Company or the instruction to transfer shares was received by the Company from the Operator of a Relevant System (in each case, as defined in the CREST Regulations), as the case may be.

(v) No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

(vi) Every transfer of shares which are in uncertificated form must be made by means of a relevant system, including the Relevant System of which CRESTCo Limited is the Operator (in each case, as defined in the CREST Regulations).

(vii) Other than as provided by sections 428 to 430 of the Act and the City Code on Takeovers and Mergers there are no rules or provisions relating to mandatory takeover bids and/or squeeze-out and sellout rules in relation to the Ordinary Shares.

(j) Lien and forfeiture

(i) PuriCore will have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Board may at any time (generally or in a particular case) waive any lien or declare any share to be wholly or in part exempt from such lien. The Company's lien on a share shall extend to any amount (including without limitation dividends) payable in respect of it.

(ii) Subject to the terms of allotment, the Board may from time to time make calls in respect of monies unpaid on shares (whether in respect of nominal value or any premium). 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 clear 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. If such notice is not complied with, any share in respect of which it was sent may, at any time before the payment required by the notice has been made, be forfeited pursuant to a resolution of the Board. The forfeiture shall include all dividends or other moneys payable in respect of the forfeited share which have not been paid before the forfeiture.

(k) Directors

(i) Number, appointment and retirement of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two and shall not be subject to any maximum. Directors may be appointed by the Company by an ordinary resolution of shareholders. The Board may appoint a Director either to fill a vacancy or as an additional Director and in either case whether or not for a fixed term. Any Director so appointed shall hold office only until the next following general meeting and shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. If not re-appointed at such meeting, such a Director shall vacate office at its conclusion. A Director shall not be required to hold shares in the capital of the Company.

(ii) Remuneration

(A) The emoluments of any Director holding executive or non-executive office for his services as such shall be determined by the Board.

(B) Each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office and who serves on any committee of the Board, goes or resides abroad for any purpose of the Company or (without prejudice to the above) performs services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

(C) In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or any committee of the Board, general meetings or separate meetings of the holder of any class of shares or of debentures of PuriCore or otherwise in obtaining professional advice in connection with the affairs of the Company or the discharge of their duties as Directors.

(D) The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by any of them, and for any member of his family or any person who is or was dependent on him.

(iii) Age

The provisions of the Act with regard to age limit for Directors shall not apply to the Company but where the Board convenes any general meeting of PuriCore at which (to the knowledge of the Board) a Director will be proposed for appointment or re-appointment who at the date of which the meeting is convened will have attained the age of 75 or more, the Board shall give notice of his age in years in the notice convening the meeting.

(iv) Retirement by rotation

At the first general meeting after the date of adoption of the Articles and at each subsequent annual general meeting as near as possible to one-third of the Directors, but at least one in any case, shall retire from office by rotation. The Directors to retire will firstly be those who wish to retire and not offer themselves for re-election and secondly, those have been longest in office since their last appointment or reappointment.

(v) Votes

Questions arising at a meeting of the Board shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

(vi) Voting restrictions

A Director shall not vote at a meeting of the Board or a committee of the Board on any resolution of the Board concerning his appointment or concerning a matter in which he has an interest (other than by virtue of his interests in shares or debentures or other securities of, or

otherwise in or through, the Company) which (together with any interest of any person connected with him) is to his knowledge material unless his interest arises only because the resolution concerns one or more of the following matters:

(A) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(B) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(C) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(D) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 198 to 211 of the Act) representing one *per cent* or more of either any class of the equity share capital of such body corporate or of any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed to be a material interest in all circumstances);

(E) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(F) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors of the Company or for persons who include Directors of the-Company.

(vii) Directors' interests

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

(A) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(B) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(C) may be a director or other officer of, or employee by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(D) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest of benefit.

(l) Borrowing powers

The Board may exercise all the powers of the Company to borrow money to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board is required to restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any intra-group borrowings and after deducting cash deposited) will not, without the previous authority of the Company in general meeting, exceed the greater of either £150 million and an amount equal to three times the adjusted total of capital and reserves.

(m) Indemnity of Directors

Subject to the Companies Acts but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a Director of the Company or of an associated company is entitled to be indemnified out of the assets of the Company against all costs, charges, losses and liabilities (together "Liabilities") incurred by him from time to time (whether in connection with any negligence, default, breach of duty or breach of trust by him or otherwise) in relation to the affairs of the Company provided that such indemnity shall not apply in respect of any liability incurred by him:

(i) to the Company or to any associated company; or

(ii) to pay a fine imposed in criminal proceedings; or

(iii) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (howsoever arising); or

(iv) in defending any criminal proceedings in which he is convicted; or

(v) in defending any civil proceedings brought by the Company, or an associated company, in which judgment is given against him; or

(vi) in connection with any application under any of the following provisions in which the court refuses to grant him relief, namely:

(A) section 144(3) or (4) (acquisition of shares by innocent nominee) of the Act; or

(B) section 727 (general power to grant relief in case of honest and reasonable conduct) of the Act.

(n) Disclosure of beneficial ownership

As provided by section 199 of the Act, a person has a notifiable interest in the share capital of the Company when (i) he has material interests with an aggregate nominal value equal to or greater than three *per cent* of the nominal value of the share capital; or (ii) not having such an interest by virtue of: (i) above, the aggregate nominal value of the shares in which he has interests (whether or not these are material interests) is equal to or more than ten *per cent.* of that share capital.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 212 of the Act (a "section 212 notice") and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice (a "direction notice") to such member direct that:

(i) in respect of the shares in relation to which the default occurred (the "default shares", which expression includes any shares issued after the date of the section 212 notice in respect of those shares) the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll; and

(ii) where the default shares represent at least 1/4 of one *per cent* in nominal value of the issued shares of their class, the direction notice may additionally direct that in respect of the default shares:

(A) any dividend or other monies payable in respect of the default shares shall be withheld by the Company, which shall not have any obligation to pay interest on it;

(B) save for an "excepted transfer" (as defined in the Articles) no transfer of any default share shall be registered unless the member is not himself in default as regards supplying the information required and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are subject to the transfer.

Any direction notice shall cease to have effect not more than seven days after the earlier of receipt by the Company of:

(i) a notice of an excepted transfer (as defined in the Articles), but only in relation to the shares transferred; or

(ii) all the information required by the relevant section 212 notice, in a form satisfactory to the Board.

10. DIRECTORS AND SENIOR MANAGEMENT INTERESTS

10.1 The Directors and all such persons connected (within the meaning of section 346 of the Act) with the Directors have the following beneficial interests in the share capital of the Company.

Name	*Number of Ordinary Shares before Admission*	*Percentage of Share Capital prior to Admission*	*Number of Ordinary Shares following Admission*	*Percentage of Enlarged Issued Share Capital*
Christopher Wightman	1,258,208	0.98%	1,288,511	0.85%
Gregory Bosch	100	0.00%	33,433	0.02%
Keith Goldan	100	0.00%	12,221	0.01%

10.2 Following Admission, the Directors will have the following options to purchase Ordinary Shares:

Name	*Total No. of Underlying Shares*	*Date of Grant*	*No. of Shares by Date of Grant*	*Exercise Price*	*Expiration Date*
DIRECTORS					
Christopher P. J. Wightman	300,000	1/12/2001	300,000	$1.000	30/11/2008
	10,000	4/12/2001	10,000	$1.000	03/12/2008
	30,000	24/4/2002	30,000	$1.000	23/04/2009
	1,000,000	1/1/2003	1,000,000	$1.000	31/12/2009
	500,000	20/5/2005	500,000	$0.600	19/05/2010
	1,800,000	20/5/2005	1,800,000	$0.825	19/05/2010
	860,000	23/2/2006	860,000	$1.000	22/02/2011
Greg Bosch	1,178,100	1/11/2004	1,178,100	$1.000	01/11/2014
	1,600,000	20/5/2005	1,600,000	$0.825	19/05/2010
	400,000	20/5/2005	400,000	$0.600	19/05/2010
	850,000	23/2/2006	850,000	$1.000	23/02/2012
Keith Goldan	300,000	4/10/2004	300,000	$1.000	04/10/2014
	550,000	20/5/2005	550,000	$0.825	19/05/2010
	200,000	20/5/2005	200,000	$0.600	19/05/2010
	400,000	23/2/2006	400,000	$1.000	23/02/2012
Bishop Allen	30,000	24/2/2004	30,000	$1.000	23/02/2011
	100,000	12/4/2004	100,000	$1.000	12/04/2011
	320,000	20/5/2005	320,000	$0.825	19/05/2010
Michael Sapountzoglou	10,000	4/12/2001	10,000	$1.000	03/12/2008
	30,000	24/4/2002	30,000	$1.000	23/04/2009
	30,000	24/2/2004	30,000	$1.000	23/02/2011
	200,000	20/5/2005	200,000	$0.825	19/05/2010
William Birkett	10,000	4/12/2001	10,000	$1.000	03/12/2008
	30,000	24/4/2002	30,000	$1.000	23/04/2009
	30,000	24/2/2004	30,000	$1.000	23/02/2011
	200,000	20/5/2005	200,000	$0.825	19/05/2010

10.3 The Directors expect that, immediately following Admission, the following persons other than the Directors mentioned in paragraph 10.1 of this Part XV above will be interested, directly or indirectly, in 3 *per cent* or more of the Enlarged Issued Ordinary Share Capital of PuriCore:

Name	*Number of Ordinary Shares following Admission*	*Percentage of Enlarged Issued Share Capital*
Woolwich International Holdings Ltd.	14,954,983	9.9%
Gacita Ltd.	12,688,986	8.4%
Marshall Wace Asset Management	10,606,349	7.0%
Kanton Services Limited	10,521,739	6.9%
Invesco Perpetual	9,848,753	6.5%
Mellon Nominees (UK) Limited	6,782,672	4.5%
Mr Stewart Newton	5,929,038	3.9%
Newton Investment Management	5,851,000	3.9%
Merrill Lynch Investment Managers Ltd.	5,454,694	3.6%

10.4 There are no differences between the voting rights enjoyed by any of the Shareholders and upon Admission there will be no differences in respect of those voting rights attaching to the ordinary share capital of the Company.

10.5 Save as set out in paragraphs 10.1 and 10.3 above, the Directors are not aware of any person who is, or who will immediately following the Placing be, interested (within the meaning of the Act) directly or indirectly in 3 *per cent* or more of the Enlarged Issued Ordinary Share Capital of the Company or who does, or who will, or could, directly or indirectly, jointly or severally, exercise control over the Company.

10.6 No loans are outstanding from the Company or any associated undertaking of the Company to any Director nor has any guarantee been provided by the Company or any associated undertaking of the Company for the benefit of any Director.

10.7 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by PuriCore during the current or immediately preceding financial year or during any earlier financial year which remains in any respect outstanding or unperformed.

10.8 In April 2002 Sterilox Technologies Inc. entered into a bridge loan with certain third parties including Michael Sapountzoglou in the amount of $599,716. Pursuant to the terms of the loan, interest was paid by the Group and earned by the lending parties at a rate of interest of 20 *per cent* per annum. The principal was paid in full in 2003.

11. DIRECTORS' DETAILS

11.1 Set out below is information relating to each Director relating to directorships (other than that of its Company) which they have held and partnerships in which they have been a partner, in each case over the previous 5 years preceding the date of this document.

Name	*Current Directorships*	*Past*
Christopher Wightman	ASI Solutions plc	Equinox VCT plc
	Equinox Capital Ltd	Green Cathedral plc
	Equinox Securities Ltd	Stowe School Educational Services Ltd
	Equinox Capital Management Ltd	
	Equinox Capital Investments plc	
	Equinox Holdings USA Ltd	
	Clickstream Technologies Plc	
	Sterilox Technologies, Inc.	
	Stowe School Limited	
Gregory T. Bosch	PuriCore, Inc. PuriCore Holding, Inc. PuriCore Operating, Inc. PuriCore Management, Inc.	Baxter AG (Vienna Austria)
Keith A. Goldan	PuriCore, Inc. PuriCore International Ltd PuriCore Holding, Inc. PuriCore Operating, Inc. PuriCore Management, Inc. PuriCore Europe Limited	None
Bishop Allen	PuriCore, Inc.	Triad Foods Group Inc.
	Pardalis Software Inc	
Michael Sapountzoglou	PuriCore, Inc.	Asphalt Systems International Inc
J. William Birkett	Chelford Group plc	Cygnus Venture Partners Ltd
	Chelford SAP Solutions Ltd	Flashvoice Ltd
	SSI Holdings Ltd	Monogram Developments Ltd
	Strategic Systems International Ltd	Monogram Homes Ltd
	JLJ Management Ltd	Monument Securities Ltd
	PuriCore, Inc.	McIvor Brooks Ltd
		Clicks Group Ltd
		Energy Advantage Options Ltd
		Ferranti Ltd

11.2 Save as disclosed in paragraph 11.3 below, no Director has:

(a) any unspent convictions in relation to indictable offences;

(b) had any bankruptcy order made against him or entered into any individual voluntary arrangements;

(c) been a director of a company which has been placed into receivership, compulsory liquidation or creditors' voluntary liquidation or administration or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, nor has he been a director of any such company within the 12 months preceding such an event;

(d) been a partner of any partnership which has been put into compulsory liquidation or administration or entered into partnership voluntary arrangements, nor has he been a partner of such partnership within the 12 months preceding such an event;

(e) had a receivership of any asset of such director or of a partnership where he was a partner at the time or within the 12 months preceding such event;

(f) been publicly criticised by statutory or regulatory authorities (including recognised professional bodies); or

(g) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

11.3 JW Birkett was in his capacity as a non-executive director, a director of the following companies which have gone into liquidation over the past five years. Each of the companies set out below went into solvent liquidation other than Clicks Group Ltd which had an estimated deficit of £470,000:

(i) Monogram Developments Ltd which went into liquidation on 15th January 2002;

(ii) Monogram Homes Ltd which went into liquidation on 18 June 2002;

(iii) Flashvoice Ltd which went into liquidation on 16 December 2003;

(iv) Energy Advantage Options Ltd which went into liquidation on 2 July 2003; and

(v) Clicks Group Ltd which went into liquidation on 9 November 2001.

11.4 None of the Directors have or anyone acting as a member of the administrative management and supervisory bodies or Senior Management:

(i) any potential conflicts of interest between their duties to PuriCore, Inc. and/or the Company and their private interests and/or duties to third parties;

(ii) any arrangements or understanding with major shareholders, customers, suppliers or others such that the aforementioned individuals were selected as a member of the administrative, management and supervisory bodies or members of Senior Management; and

(iii) save as disclosed, any restrictions for the disposal of their shares in the Company within a certain time period.

12. INCENTIVE SCHEMES

12.1 The Group has historically operated two option plans. These will not be operated after consumation of the Merger.

12.2 When the Merger became effective on 26 June 2006, the Company offered to grant new options to all employees who currently hold options to acquire shares under the existing 2004 Share Scheme (see below) on substantially the same terms and conditions as their current options, in exchange for the cancellation of their existing options over shares in PuriCore, Inc. Any options over shares granted pursuant to the 2004 Share Scheme which are held by an employee who does not accept this exchange offer within 28 days will automatically lapse. In relation to options granted under the 2005 Share Scheme, the Company will grant new options in exchange for the existing options on substantially the same terms and conditions. No further options will be granted under either the 2004 or the 2005 Share Schemes.

Further, PuriCore, Inc. has granted a number of options to employees pursuant to individual option agreements. The terms of these individual option agreements vary between employees. All individuals who hold individual options over shares in PuriCore, Inc. have been granted new options in exchange for their existing options over shares in PuriCore, Inc., on substantially the same terms and conditions.

12.3 In addition, the Company has adopted a new share plan (the “New Scheme”) to provide options going forward.

12.4 The terms of the New Scheme and the existing schemes are described below.

Existing schemes

The Sterilox Technologies, Inc. Share Option Scheme 2004 (the "2004 Scheme")

The 2004 Scheme was established by a resolution of the Board of Directors of PuriCore, Inc. on 22 September 2004. It has been structured to permit options granted to qualify as "Enterprise Management Incentives" for UK taxation purposes. The 2004 Scheme has the following features:

(i) Exercise of Options

An optionholder may generally only exercise his or her option pursuant to a vesting schedule. An option may not be exercised later than the options expiration or ten years following the date of grant of the option whichever is earlier. All of the following provisions are subject to this restriction.

Provision has been made for the exercise of options within twelve months of the death in service of an optionholder, but any shares acquired must be sold immediately.

An option may also be exercised in full upon the happening of any of the following events:

(1) the flotation of PuriCore, Inc. on a recognised stock exchange;

(2) a takeover of PuriCore, Inc. by an unconnected person or persons recommended by the directors or by one or a number of employees acting in concert. In the event that the takeover is either by way of a general offer to acquire the entire issued share capital of the PuriCore, Inc., or for all the shares in the same class as the shares under option, the options may be exercised in full at any time during the 6 month period after the date on which the person making the offer has obtained control, or any condition has been satisfied. In the event that another company becomes beneficially entitled to more than 50 *per cent* of the voting power exercisable in a general meeting of the Company, then the Directors may give notice to the optionholders inviting them to exercise their option within a specified period of time. In either case, if the option is not exercised within the specified time period, it will lapse;

(3) a voluntary winding up of PuriCore, Inc.; or

(4) the sale of the whole or substantially the whole of trade and assets of PuriCore, Inc. The option is exercisable within 28 days following the date of sale (or such longer period as may be permitted by the Board of Directors of the Company)

The terms of grant of the options may require the optionholder to bear the liability to employer's national insurance contributions arising in relation to the exercise of the options in full or in part, together with any income tax liability.

(ii) Lapse of Options

Options shall lapse to the extent not already exercised on the earlier of:

(1) the 10th anniversary of the date of grant;

(2) leaving employment for any reason other than death;

(3) the bankruptcy of the optionholder;

(4) the transfer, assignment, mortgage, change or other purported disposal of the option by the optionholder;

(5) the loss of the legal or beneficial ownership of the option (otherwise than on death) by operation of law or any other act or omission of the optionholder; and

(6) the happening of the events discussed in (i) above.

(iii) Adjustment of Option terms

In the event of any variation in the ordinary share capital of the PuriCore, Inc., the number of shares comprised in an option and/or the exercise price may be adjusted in such manner as the board of directors of PuriCore, Inc. may decide.

(iv) Limits on Grant of Options

In any ten year period, not more than 15 *per cent* of the issued share of PuriCore, Inc. for the time being may, in aggregate, be issued or be issuable under the 2004 Scheme and any other scheme unless the approval of the shareholders is obtained in a general meeting.

An individual employee may be only granted options where the aggregate market value of the shares which may be acquired at the time of the grant does not exceed £100,000. In determining whether this requirement has been satisfied, consideration is taken of previous option grants under the 2004 Scheme and any other options granted by PuriCore, Inc. which have been issued under a scheme which has been approved by H.M. Revenue & Customs under Schedule 4 of the Income Tax (Earnings & Pensions) Act 2003, and in the latter case have not been exercised nor ceased to be exercisable.

(v) Exchange of Options

The rules of the 2004 Scheme provide for the rollover of options in the event that any company (the "Acquiring Company") obtains control of PuriCore, Inc. pursuant to either a general offer to acquire shares, a scheme of arrangement under section 425 of the Companies Act 1985 or shares are acquired pursuant to sections 428-430F (inclusive) of the Companies Act 1985. An optionholder may, within an Appropriate Period by agreement with the Acquiring Company, release his options in consideration of the grant to him of rights which are equivalent to the options he is releasing but which relate to shares in the Acquiring Company. In such event, the rules of the 2004 Scheme will continue to govern the option save that references to PuriCore, Inc. will be deemed to be references to the Acquiring Company.

In the event that the change of control is a reconstruction, where PuriCore, Inc. has come under the control of an Acquiring Company, in circumstances where the ultimate control does not change, then if the acquiring company offers to grant new options of substantially the same value and same terms to existing optionholders under the 2004 Scheme, in exchange for their existing options, the existing optionholders will have a period of not less than 28 days to agree to the exchange. If they do not agree to the exchange within the specified period, then the options over shares in PuriCore, Inc. will lapse.

The Company offered to grant new options to existing option holders under the 2004 Scheme on 26 June 2006. The option holders have 28 days in which to accept the exchange offer, otherwise the options over shares in PuriCore, Inc. will lapse.

(vi) Modifications to the 2004 Scheme

The board of directors of PuriCore, Inc. may at any time amend the rules of the 2004 Scheme, provided that if such amendment would abrogate or adversely affect the subsisting rights of any optionholder, the prior consent in writing of the optionholder is required before the amendment becomes effective.

The Sterilox Technologies, Inc. Share Option Scheme 2005 (the "2005 Scheme")

The 2005 Scheme was established by a resolution of the shareholders of PuriCore, Inc. on 10 May 2005. It has been structured to permit the grant of incentive stock options, nonqualified stock options, stock awards, stock units and other equity based awards. To date only stock options have been issued under the 2005 Scheme. In addition, a United Kingdom Enterprise Management Incentives Subplan (the "UK Subplan") was established to permit certain options granted under the 2005 scheme to UK employees to qualify as "Enterprise Management Incentives" for UK taxation purposes. References below to the "Committee" refer to the Committee of the board of directors of PuriCore, Inc.

The 2005 Scheme has the following features:

(i) Eligibility

All employees of the company or its subsidiaries (including members of the board of directors who are also employees) are eligible to participate in the 2005 Scheme, together with members of the board of directors who are not employees. Consultants and advisers who provide services to PuriCore, Inc. or its subsidiaries are, in certain circumstances, also eligible to participate.

(ii) Exercise of Options

Normally, options are exercisable upon the terms and conditions determined by the Committee, and specified in each individual option grant. The Committee may, however, accelerate the exercisability of any or all outstanding options at any time for any reason.

(iii) Lapse of Options

Except as discussed below, an option may only be exercised whilst the optionholder is an employee or director, or in the case of a consultant or adviser, is providing services.

If an optionholder ceases to be an employee or director, or in the case of a consultant or adviser, ceases to provide services then:

(1) if the optionholder ceases to be employed or provide services for any reason other than disability, death or termination for cause, then any option shall lapse if not exercised within 90 days of the date of termination (or within such other period of time as may be specified by the Committee);

(2) if the optionholder ceases to be employed or provide services because of termination for cause, the option will lapse on the date of termination;

(3) if the optionholder ceases to be employed or provide services because of disability, then any option shall lapse if not exercised within 1 year of the date of termination (or within such other period of time, which shall be not less than 6 months, as may be specified by the Committee); and

(4) if the optionholder either dies whilst employed by or providing services to the company, or within 90 days after the date specified in sub-paragraph (1) above, or within such other period of time as may be specified by the Committee, then any option shall lapse if not exercised within 1 year of the date of termination (or within such other period of time, which shall be not less than 6 months, as may be specified by the Committee).

Notwithstanding the above, in all cases an option will lapse if not exercised within 10 years following the date of grant, save that in the case of an incentive stock option granted to an employee who owns more than 10 *per cent* of the voting power of a company, the options must be exercised within 5 years following the date of grant.

(iv) Adjustment of Option terms

In the event of any change in the number or kind of shares of PuriCore, Inc. which are outstanding, or if the value of outstanding shares is substantially reduced as a consequence of certain actions, the maximum number of shares available for the purposes of the 2005 Scheme, the number and kind of shares covered by outstanding grants, the kind of shares to be issued and the price per share may be adjusted in such manner as the Committee may decide.

(v) Limits on Grant

The total number of shares that may be issued under the 2005 Scheme is 21,800,000. Further, the total number of shares that may be issued under all outstanding options together with the total number of shares that may be called for under any bonus type plan shall not exceed more than 30 *per cent* of the issued shares in the company from time to time.

(vi) Option Price

The price per share at which options may be exercised will normally not be less than the fair market value of a share at the date of grant.

(vii) Other Awards

(1) Stock Awards

The Committee may issue or transfer shares to an employee, director, consultant or adviser providing services upon such terms as the Committee shall determine.

Such awards may be issued for cash consideration or no cash consideration, and may be subject to restrictions as determined by the Committee. If a participant ceases to be employed, or a consultant or adviser ceases to provide services, in each case in the specified restriction period, or if other specified conditions are not met, the stock award terminates and the shares must be returned to PuriCore, Inc. The Committee may apply or waive this requirement.

During a restriction period, a participant may not dispose of the shares.

(2) Stock Units

The Committee may grant stock units to an employee, director, consultant or adviser providing services upon such terms as the Committee shall determine.

Each stock unit represents a right to receive an amount based on the value of shares in the company.

The Committee may grant stock units based on performance goals or other conditions. Payments with respect to stock units may be made in cash, company shares or a combination of these at the discretion of the Committee.

If a participant ceases to be employed, or a consultant or adviser ceases to provide services, in each case during a specified restriction period, or if other specified conditions are not met, the stock units are forfeited. The Committee may apply or waive this requirement.

(3) Other Equity Awards

PuriCore, Inc. may grant other equity awards that are based on, measured by or payable in shares of the company, on such terms and conditions as determined by the Committee.

(vii) Tax Liability

The participant will be responsible for any income tax, social security tax etc arising on the awards.

(viii) Transferability of Grants

A participant may not transfer any rights received under the 2005 Scheme, except upon death to his personal representative or except as permitted by the Committee.

(ix) Repurchase Right

Prior to an initial public offering, (a) if an individual wishes to sell, encumber or otherwise dispose of shares (which are transferable) received under the 2005 Scheme, the individual may do so only pursuant to a written offer, and the individual is required to offer the shares firstly to the company (which may assign its rights to the shareholders of the company). If the company does not exercise its right of first refusal, the individual may dispose of the shares in accordance with the terms of the written offer; or (b) if a participant ceases to be employed by, or provide services to, the company, the company may require the participant to sell any shares acquired by the participant under the 2005 Scheme at their fair market value as determined by the Committee (or such other price as set out in the grant instrument).

(x) Change of Control of the company

If there is a change of control of PuriCore, Inc. (otherwise than where PuriCore, Inc. becomes a subsidiary of another company and the existing shareholders of PuriCore, Inc. continue to control more than 50 *per cent* of the voting power of the shares in the new company), then unless the Committee determines otherwise:

(1) all outstanding options shall accelerate and become fully exercisable;

(2) the restrictions and conditions on all outstanding stock awards shall lapse; and

(3) participants holding stock units and other equity awards shall receive payments in settlement, in an amount and on such terms as the Committee shall determine.

Alternatively, the Committee has the discretion to provide replacement options, cancel the existing options in exchange for a payment in cash or shares or (having given participants an opportunity to exercise the options) terminate all outstanding options.

(xi) Modifications to the 2005 Scheme

The board of directors of PuriCore, Inc. may amend or terminate the plan, subject to any requisite shareholder approval. No amendment shall be made which materially impairs the rights of a participant without the prior consent of that participant.

United Kingdom Enterprise Management Incentives Subplan to the 2005 Scheme

The following additional provisions apply to options granted under the Subplan. The Subplan has been structured to permit options granted under the Subplan to qualify as "Enterprise Management Incentives" for UK taxation purposes.

(i) Individual Limits

An individual employee may be only granted options where the aggregate market value of the shares which may be acquired at the time of the grant does not exceed £100,000. In determining whether this requirement has been satisfied, consideration is taken of previous option grants under the Subplan and any other options granted by the company which have been issued under a scheme which complies with Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003, and which have not lapsed or been exercised.

(ii) Aggregate Limits

PuriCore, Inc. shall not grant options under the Subplan if the aggregate fair market value of shares in the company which may be purchased under options granted pursuant to the Subplan (other than options which have lapsed or expired) cannot exceed £3,000,000.

(iii) Employer National Insurance

PuriCore, Inc. may require a participant to pay any employer national insurance contributions payable in connection with the exercise of an option under the Subplan.

The PuriCore New Scheme

Employees of the Group will be eligible to participate in the new share incentive plan (the "New Scheme"). The New Scheme will be administered and operated by the Remuneration Committee of the board of directors of PuriCore.

The New Scheme was adopted by PuriCore on 26 June 2006. The New Scheme provides a framework for the grant of equity and other equity related incentives to staff in different jurisdictions. Awards may take the form of share options (including incentive stock options which comply with US tax requirements) and also restricted shares, stock appreciation rights or such other awards deliverable in or related to the shares in PuriCore or factors that may influence the value of such shares (collectively "Awards").

The aim of the Remuneration Committee is to implement appropriate plans, within the framework of the New Scheme, specific to those jurisdictions where the staff are located and which take account of the local regulatory and taxation regimes in which those sub plans will operate.

(i) Eligibility

Awards may be granted to employees of the Group at the discretion of the Remuneration Committee.

(ii) Grant

Awards under the New Scheme may be made within 42 days after the announcement by PuriCore of its annual or interim results or the date on which the UKLA approves the publication of the Prospectus. Awards may also be made at any other time when the circumstances are considered by the Remuneration Committee to be exceptional (see paragraph (xi) below).

(iii) Plan Limits

The total number of shares (including treasury shares) issued and issuable under awards granted under the New Scheme (or any other share option plan or other share incentive awards made by the Company, but not including shares which may be issued under options granted pursuant to one of the Existing Schemes, or pursuant to individual option grants as discussed above) may not exceed 10 *per cent* of the issued ordinary share capital of PuriCore provided that, for the purposes of incentive stock options, no more than 10,000,000 Ordinary Shares may be issued.

(iv) Exercise price

Where share options are awarded, other than nominal or nil cost options, the price per share payable on exercise must not be less than the market value per share at the time of grant.

(v) Individual Limits

The following individual limits apply:

(a) no participant may be granted market value options in any annual period with a total market value measured on their dates of grant, in excess of 200 *per cent* of his base salary for that period; and

(b) no participant may be granted Awards over shares (excluding market value options bonus shares or matching shares) in any annual period with a total market value measured on their dates of grant, in excess of 100 *per cent* of his base salary for that period.

Notwithstanding the above, the Remuneration Committee may, in exceptional circumstances (including the hiring of new employees), grant market value options with a total market value not exceeding 400 *per cent* of a participant's base salary for the relevant annual period or other Awards with a total market value not exceeding 200 *per cent* of a participant's base salary for the relevant annual period.

(vi) Exercise and lapse of Awards

No minimum period is prescribed under the New Scheme prior to the exercise or lapse of an Award, which will be determined by the Remuneration Committee on implementation of the New Scheme in different jurisdictions, save that no share option may be exercised more than 10 years following the date of grant of the option.

Awards under the New Scheme may be made subject to the attainment of performance targets in such objective manner as the Remuneration Committee considers appropriate. Performance targets may be set by reference to the overall group financial performance or the performance of the participant, or of more focused regional or departmental functions in which the participant is employed. All awards granted to executive directors shall be subject to the attainment of performance targets.

The Remuneration Committee expects to grant options subject to accelerated vesting, on terms that, to the extent that any conditions for acceleration are met, vesting will occur within four years following grant (the Remuneration Committee may, however, select alternative vesting schedules that it regards as more appropriate at the time of grant).

Awards will usually lapse on termination of employment although the Remuneration Committee has the power to provide that Awards will either become exercisable or vest on termination of employment or such later date as the Remuneration Committee may determine.

(vii) Tax liability

Where on the exercise, vesting or release of any of the Awards granted under the New Scheme, a liability to tax or employee's social security contributions (including UK National Insurance Contributions) arises, and any Group Company is required to account for such liability, the participant will bear the cost of this liability. In the UK, the New Scheme rules also enable the relevant Group Company to recover an amount equal to any employer's liability for National Insurance Contributions from the participant.

(viii) Adjustments of capital structure

In the event of a variation in the capital structure of PuriCore, the Remuneration Committee may provide for adjustments in the number and kind of shares and/or the exercise price or other price of shares subject to outstanding Awards granted under the New Scheme.

(ix) Change of Control

If a person obtains control of the Company, there is a voluntary winding up of the Company, or there is a reconstruction, amalgamation or liquidation of the Company then all awards shall become exercisable or vest (as appropriate) at the discretion of the Remuneration Committee.

(x) Administration and amendment

The Remuneration Committee may at any time amend the New Scheme in whole or in part provided that the prior approval of the shareholders of the Company is obtained in order to comply with applicable law and the rules of the Financial Services Authority and also for any amendments to provisions relating to eligibility, the overall limit on the issue of new shares, the maximum entitlement for any participant and any adjustments to any existing awards, where such changes are to the advantage of participants (save for minor amendments to benefit the administration of the New Scheme, to take account of changes in legislation or to obtain or maintain favourable taxation or regulatory treatment for participants or for any member of the Group).

Awards granted under the New Scheme may be satisfied by the issue of new shares, the re-issue of treasury shares, the transfer of shares from an employee benefits trust or in cash.

The Remuneration Committee is also empowered to approve such supplements to or amendments, restatements or alternative versions of the New Scheme as it may consider necessary or appropriate to take account of local law, tax policy or custom in particular jurisdictions.

(xi) Current grant of options

On 27 June 2006, PuriCore granted options over 295,000 Ordinary Shares under the New Scheme and an option over 20,000 Ordinary Shares to a consultant, totalling options over 315,000 Ordinary Shares (as disclosed in the table in paragraph 7.1 above). No further awards will be made under the New Scheme prior to Admission and the Company has no present intention of granting any further options under the New Scheme.

Other Awards

The board of directors of PuriCore have been authorised to grant share options to non - executive directors and consultants, on terms and conditions to be determined. Any such grants will be taken into account in applying the limit on share award grants discussed above in sub-paragraph (iii) of the description of the PuriCore New Scheme.

13. DIRECTORS' SERVICE ARRANGEMENTS

Directors' Service Agreements and Emoluments

The executive directors will enter into new service agreements with the Company and with PuriCore, Inc. with effect from and conditional on Admission.

Gregory T. Bosch will act as Chief Executive Officer of the Company, having commenced on 1 November 2004 with a worldwide salary of $300,000 of which 20 *per cent* ($60,000) is payable in respect of services to the Company, and the balance for services to PuriCore, Inc. Mr Bosch has an entitlement to an annual performance-related bonus with a target amount of 75 *per cent* of worldwide salary, but can be higher at the Remuneration Committee's discretion. Mr Bosch is entitled to a total of 5 weeks holiday leave plus standard US public holiday and reasonable paid time off for personal reasons and illness. Mr Bosch's service contract is of indefinite duration but, save for termination for Cause, is terminable on 90 days' notice (subject to severance packages, provided for under his service agreements with PuriCore). In certain circumstances, there are enhanced severance arrangements and particular provision is made in relation to termination within 12 months of a "Change of Control" and conditional upon Mr Bosch executing a full worldwide release agreement. Mr Bosch is eligible to participate in any share scheme or other equity based incentive scheme and has the benefit of a tax equalisation obligation in respect of his worldwide income. Mr Bosch is bound by standard obligations with regard to intellectual property, confidentiality and non-solicitation and non-competition which provide protections for the Company. Mr Bosch can be placed on 'Garden Leave' for up to the duration of his notice period and his employment is subject to summary termination in the normal range of serious misconduct and other relevant circumstances. Mr Bosch is subject to a normal retirement age of 65.

Keith A. Goldan will act as Chief Financial Officer of the Company, having commenced on 4 October 2004, with a worldwide salary of $210,000 of which 20 *per cent* ($42,000) is payable in respect of services to the Company, and the balance for services to PuriCore, Inc. Mr Goldan has an entitlement to an annual performance-related bonus with a target amount of 75 *per cent* of

Mr Goldan's worldwide salary, but can be higher at the Remuneration Committee's discretion. Mr Goldan is entitled to a total of 5 weeks holiday leave plus standard US public holiday and reasonable paid time off for personal reasons and illness. Mr Goldan's service contract is of indefinite duration but, save for termination for Cause, is terminable on 90 days' notice (subject to severance packages, provided for under his service agreements with PuriCore, Inc.). In certain circumstances, there are enhanced severance arrangements and particular provision is made in relation to termination within 12 months of a "Change of Control" and conditional upon Mr Goldan executing a full worldwide release agreement. Mr Goldan is eligible to participate in any share scheme or other equity based incentive scheme and has the benefit of a tax equalisation obligation in respect of his worldwide income. Mr Goldan is bound by standard obligations with regard to intellectual property, confidentiality and non-solicitation and non-competition which provide protections for the Company. Mr Goldan can be placed on 'Garden Leave' for up to the duration of his notice period and his employment is subject to summary termination in the normal range of serious misconduct and other relevant circumstances. Mr Goldan is subject to a normal retirement age of 65.

Mr Bosch is also employed as Chief Executive Officer and Mr Goldan as Chief Financial Officer of PuriCore, Inc. and they are each entitled to participate in all incentive, stock option, pension, retirement, savings, 401(k) and other employee benefits maintained by PuriCore, Inc. They are also entitled to a monthly car allowance of $1,500.

Additional obligations and entitlement of the directors are disclosed at Part X above with reference to the Combined Code.

Non-executive Directors

The non-executive directors will enter into letters of appointment with effect from and conditional upon Admission which are subject to the Articles of Association of the Company, the Act and general law.

Mr Christopher Wightman will act as Chairman and will be paid a fee of £80,000 per annum. Mr Bishop Allen, Mr Michael Sapountzoglou and Mr William J. Birkett will each act as non-executive directors (including the Chairman) of the Company and will be paid a Base Fee (as defined in the letters of appointment) of £25,000 per annum. Additionally, Mr Sapountzoglou and Mr Birkett will receive an additional Base Fee of £5,000 per annum for their services in chairing of the Remuneration Committee and Audit Committee, respectively. Where non-executive directors other than the Chairman spend more than 24 days per annum discharging their duties, an additional fee of £1,000 per such day spent is payable (subject to prior authorisation of the Chairman.) Details of the non-executive directors' options entitlements are set out in paragraph 10.2 of this Part XV above.

Non-executive directors are appointed initially until the 2007 AGM at which they will offer themselves for re-election for a further 12 months (the "Initial Period"). Appointment of non-executive directors is open to renewal after the Initial Period at the Board's discretion. Termination under the provisions of the Companies Acts, Articles of Association, disqualification from acting as a director, for incompetency, gross misconduct, serious or persistent negligence or misconduct and failure to carry out duties reasonably required, is with no compensation. Non-executive director performance is evaluated annually. The services of the Chairman may be terminated by either party providing 12 months' written notice and in respect of other non-executive directors upon 12 months from the Company and 6 months from the director. There is discretion for the Company to make a payment of Base Fee in lieu of notice. In the event of non-re-election or non-renewal after the Initial Period, the directors are entitled to a payment of 12 months' Base Fee. Appointments are not pensionable, nor are non-executive directors entitled to participate in any employee benefits save for option participation as disclosed in paragraph 10.2 of Part XV. Non-executive directors are bound by obligations of confidentiality. Non-executive directors are entitled to consult with the Company's professional advisers in the performance of their duties at the Company's expense. Additionally, the Chairman will enter into a Deed of Confidentiality, Non-competition and Non-solicitation with effect from and conditional upon Admission which provides additional and protections to the Company.

The non-executive directors are expected properly to discharge their fiduciary duties, and exercise proper skill and care and devote sufficient time to their duties commensurate with a non-executive directorship of a listed company, including preparation for and attendance at Board meetings and meetings of any committee to which they may be appointed, as well as for/at all general meetings

of the Company and must bring independent judgment to bear on strategy, performance, resources, and standards of conduct and good corporate governance, satisfying themselves, as to the integrity of financial information and that financial controls and risk management are robust and defensible, sharing responsibility for the control of the Company and its subsidiaries and for superintendence of the executive directors.

For the 2004 and 2005 financial year, the aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors by the Group was $884,400 and $1,373,000 respectively. It is estimated that for the current financial year, under arrangements in force at the date of this document, the aggregate remuneration of the Directors will be approximately £1,261,000. In 2005, the total amounts set aside to provide pension, retirement or similar benefits to the Directors was nil.

There is no arrangement under which a non-executive director has waived or agreed to waive future emoluments nor have there been any such waivers during the financial year immediately preceding the date of this document.

There are no outstanding loans or guarantees granted or provided by any member of the Group to, or for the benefit of, any of the Directors.

14. WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Placing to be received by the Company, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months following the publication of this document.

15. LITIGATION

No member of the PuriCore Group is or has been involved in any governmental legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the group is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the PuriCore Group's financial position or profitability and, so far as the Directors of PuriCore are aware, there are no proceedings pending or threatened against any member of the Group.

16. MATERIAL CONTRACTS

Set out below are all of the contracts (not being contracts entered into in the ordinary course of business) which have been entered into by PuriCore, PuriCore, Inc. and their associated undertakings within the two years immediately preceding this document and remain outstanding and are or may be material or are material in the context of the Group's business or which contain any provision under which any member of the Group or the Company has an obligation or entitlement which is material to the Group, the Company or any member thereof as at the date of this document:

16.1 Placing Arrangements

Underwriting Agreement

In connection with the Placing, the Joint Lead Managers, PuriCore and the Directors have entered into an underwriting agreement dated 27 June 2006. Under the terms of the Underwriting Agreement, the Joint Lead Managers have agreed, as agent for the Company to use their reasonable endeavours to procure placees to subscribe for 44,060,572 New Ordinary Shares at the Placing Price or, failing which, themselves to subscribe for such 44,060,572 New Ordinary Shares at the Placing Price. The balance of the New Ordinary Shares the subject of the Placing in respect of which the Company is in receipt of cleared funds (or in the case of 75,757 New Ordinary Shares to be subscribed by certain Directors, an undertaking to pay) will be issued at the Placing Price conditional upon Admission to subscribers procurred by the Company pursuant to the Subscription Agreement described below.

The Underwriting Agreement, and the Placing, is conditional, inter alia, upon (i) completion of the Merger, and (ii) Admission taking place on or before 30 June 2006, or such later date as the Joint Lead Managers and PuriCore may agree but in any event not later than 31 July 2006.

In the Underwriting Agreement, the Company and the Directors have given certain warranties and indemnities to the Joint Lead Managers concerning the business of the Company and the Group and the contents of this document. In connection with their services, the Company has agreed to pay the Joint Lead Managers (i) a corporate finance fee of £100,000, (ii) an underwriting commission of 0.5 *per cent* of the aggregate value at the Placing Price of 44,060,572 New Ordinary Shares and (iii) a placing commission of 4.0 *per cent* of the value at the Placing Price of the 33,181,818 New Ordinary Shares.

The Underwriting Agreement also provides for the Company to pay all costs and expenses (together with any related value added tax) of and incidental to the Placing and the application for Admission.

The Joint Lead Managers may terminate the Underwriting Agreement in specified circumstances prior to Admission, principally in the event of a material breach of any of the warranties contained therein or in the event of a significant change in financial, monetary, economic, political or market conditions which, in the reasonable opinion of the Joint Lead Managers would be materially adverse to the financial or trading position of the Company or the Sterilox Group or would have a materially prejudicial effect on the Placing. In the event of termination, the Underwriters may withdraw the application for Admission. Completion is conditional, *inter alia*, upon Admission and is expected to take place immediately after Admission.

This agreement will also appoint Nomura Code Securities as sponsor in connection with the Placing and the application for Admission and Nomura Code Securities and Nomura International plc as joint Underwriters.

Subscription Agreements

The Company has entered into a number of subscription agreements dated 26 June 2006 with certain subscribers pursuant to which it will issue an aggregate 1,318,217 New Ordinary Shares at the Placing Price conditional upon Admission. Under the terms of the subscription agreements the subscribers have irrevocably paid cleared funds amounting to £0.9 million in aggregate (or in the case of certain Directors subscribing for 75,757 New Ordinary Shares, have undertaken to pay £50,000 in aggregate) which can only be returned to the subscribers if Admission does not take place by 31 July 2006.

Lock-Up arrangements

The Company has agreed that neither it, nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of Nomura Code Securities, for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Each Executive Director has undertaken that he/she will not and will procure than none of his/her connected persons or persons acting on his/her or their behalf will without the prior written consent of Nomura Code Securities for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore, each Executive Director has undertaken that, for a further 12 month period, any disposals are to be conducted through Nomura Code Securities.

Each Non-Executive Director has undertaken that they will not and will procure that none of their *affiliates* or persons acting on its or their behalf will without the prior written consent of Nomura Code for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the

foregoing. Furthermore, each Non-Executive Director has undertaken that, for a further 12 month period, any disposals are to be conducted through Nomura Code Securities.

Each of the Senior Management have severally undertaken that they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of Nomura Code Securities for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore, each of the Senior Management has undertaken that, for a further 12 month period, any disposals are to be conducted through Nomura Code Securities.

16.2 Merger Agreement

On 16 May 2006, PuriCore, Inc. entered into a Merger Agreement with Sterilox MergerCo under the terms of which, under Delaware law, Sterilox MergerCo a wholly owned subsidiary of the Company merged with and into PuriCore, Inc. PuriCore, Inc became a wholly owned subsidiary of the Company in accordance with the terms of the Merger Agreement. Under the terms of the Merger, PuriCore, Inc. shareholders received one Ordinary Share in PuriCore for each PuriCore, Inc. share which is held by them.

The Merger was conditional, inter alia, upon the Merger Agreement and the transactions contemplated therein being duly approved by the Boards of Directors of PuriCore, Inc. and Sterilox MergerCo and the Company having received Merger consent from H.M. Treasury pursuant to S765 of the Income and Corporation Taxes Act 1988 in the UK or confirmation that no such consent is required.

16.3 Promissory Note and Security Agreement dated 19 April 2006 among Commerce Commercial Leasing, LLC N.A. ("Commerce"), Sterilox Technologies, Inc. and PuriCore Management, Inc.

In consideration for an amount of $7,500,000 (or such lesser amount) being advanced by Commerce. PuriCore, Inc. and PuriCore Management (collectively, "Borrowers") promise to pay Commerce as lender the principal amount of $7,500,000 or such lesser amount advanced by Commerce. As of 1 May 2006, the annual interest rate for the outstanding amount of the line of credit was 8.16 per cent.

PuriCore, Inc. granted and conveyed to Commerce a first and continuing security interest in all now owned and hereafter arising or acquired personal property and assets listed in the Schedules to the Agreement including revenue received from one of the Company's principal customers in the United States (the "Collateral"). Upon consummation of an initial public offering ("IPO") by PuriCore, Inc. or any of its affiliates pursuant to which PuriCore, Inc. or any of its affiliates receives net proceeds of at least $50,000,000, Commerce agrees to release its lien on any collateral securing the Note other than the the lease payments identified in security agreement so long as at such time (a) no Event of Default has occurred and (b) no material adverse change has occurred in PuriCore, Inc's financial condition, business, operations or assets. Similarly, after an IPO by PuriCore, Inc. or any of its affiliates pursuant to which PuriCore, Inc. or any of its affiliates receives net proceeds of at least $50,000,000, PuriCore, Inc. would be required to maintain average cash deposits totaling an aggregate amount equal to at least 200 *per cent* of the outstanding principal balance and any other obligations under the Note with Commerce Bank, N.A. (US), as determined on a quarterly basis.

PuriCore, Inc. agreed that 15 *per cent* of the Initial Advancement and any subsequent advancement made shall be held by Commerce in a maintenance reserve in an interest bearing account maintained at Commerce Bank, N.A.

PuriCore, Inc. issued a Warrant in favour of Commerce Bank, N.A. pursuant to which Commerce Bank, N.A. is entitled to purchase up to 200,000 fully paid and non-assessable shares of common stock of PuriCore, Inc. at $1.00 per share.

In connection with any offering of securities of PuriCore, Inc., and if PuriCore, Inc. or the underwriter of such offer shall request, Commerce Bank, N.A. shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer any shares or other securities of PuriCore, Inc., for such number of days that PuriCore, Inc. or the underwriter request. The Company's directors have agreed to similar restrictions in their own lock up agreement.

16.4 Atkins Financial Investments Ltd. ("Atkins") Warrant to Purchase Common Stock Dated 15 March 2002

Atkins is entitled to purchase from PuriCore, Inc. from 15 March 2002 until 12 April 2007 up to 70,500 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value $0.001 per share and at a purchase price of $3.20 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Atkins will receive the kind and number of warrant shares which it would have otherwise owned.

16.5 Mike Sapountzoglou ("Sapountzoglou") Warrant to Purchase Common Stock dated 15 March 2002

Sapountzoglou is entitled to purchase from PuriCore, Inc. from 15 March 2002 until 12 April 2007 up to 25,000 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value $0.001 per share and at a purchase price of $3.20 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Sapountzoglou will receive the kind and number of warrant shares which he would have otherwise owned.

16.6 Smallwood Asset Management ("Smallwood") Warrant to Purchase Common Stock dated 15 March 2002

Smallwood is entitled to purchase from PuriCore, Inc. from 15 March 2002 until 12 April 2007 up to 75,000 fully paid and non-assessable shares of common stock of PuriCore , Inc. at par value $0.001 per share and at a purchase price of $3.20 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Smallwood will receive the kind and number of warrant shares which it would have otherwise owned.

16.7 David Anderson ("Anderson") Warrant to Purchase Common Stock dated 18 April 2002

Anderson is entitled to purchase from PuriCore, Inc. from 18 April 2002 until 12 April 2007 up to 42,789 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value $0.001 per share and at a purchase price of $3.20 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Anderson will receive the kind and number of warrant shares which he would have otherwise owned.

16.8 Woolwich International Holdings Limited ("Woolwich") Warrant to Purchase Common Stock dated 15 March 2002

Woolwich is entitled to purchase from PuriCore, Inc. until 12 April 2007 up to 56,400 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value $0.001 per share and at a purchase price of $3.20 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Woolwich will receive the kind and number of warrant shares which it would have otherwise owned.

16.9 Noble Financial Management Ltd. ("Noble") Warrant to Purchase Common Stock dated 17 April 2003

Noble is entitled to purchase from PuriCore, Inc. from 17 April 2003 until 17 April 2008 up to 200,000 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value

$0.001 per share and at a purchase price of $3.00 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that Noble will receive the kind and number of warrant shares which it would have otherwise owned.

16.10 TSD Inc. ("TSD") Warrant to Purchase Common Stock dated 1 April 2004

We have been provided with an unexecuted example of this warrant. TSD is entitled to purchase from PuriCore, Inc. from 1 April 2004 until 1 April 2009 up to 11,077 fully paid and non-assessable shares of common stock of PuriCore, Inc. at par value $0.001 per share and at a purchase price of $3.25 per share. If there is a reclassification of the stock (including in connection with a consolidation or merger in which PuriCore, Inc. is the continuing entity) the number of warrant shares is adjusted so that TSD will receive the kind and number of warrant shares which it would have otherwise owned.

16.11 Woolwich International Holdings Limited ("Woolwich") Warrant to Purchase Common Stock dated 31 December 2004

Woolwich is entitled to purchase from PuriCore, Inc. from 31 December 2004 until 5pm on 31 December 2007 up to 1,000,000 fully paid and non-assessable shares of common stock of PuriCore, Inc. at no par value at a purchase price of $0.50 per share. If there is any reclassification or change of outstanding securities issuable upon exercise of the Warrant or in case of any consolidation or merger of PuriCore, Inc. with or into another corporation or in the case of any sale or transfer to another corporation of the property of PuriCore, Inc. as an entirety or substantially an entirety, PuriCore, Inc. or such successor or purchasing corporation is required to execute a new Warrant upon terms no less favourable to Woolwich than those applicable to the current Warrant.

16.12 Warrant in favour of Carule Limited ("Carule")

Carule is entitled to purchase from PuriCore, Inc. until 5pm on 19 January 2009 up to 652,174 fully paid and non-assessable shares ("Warrant Shares") of common stock of PuriCore, Inc. at par value $0.001 per share at a purchase price of $0.92 per share. If there is any reclassification or change of outstanding securities issuable upon exercise of the Warrant or in case of any consolidation or merger of PuriCore, Inc. with or into another corporation or in the case of any sale or transfer to another corporation of the property of PuriCore, Inc. as an entirety or substantially an entirety, PuriCore, Inc. or such successor or purchasing corporation is required to execute a new Warrant upon terms no less favourable to Carule than those applicable to the current Warrant.

16.13 Warrant dated 31 December 2005 in favour of Woolwich International Holdings Ltd ("Woolwich")

Woolwich is entitled to purchase from PuriCore, Inc. from 31 December 2005 until 5pm on the third anniversary of that date (31 December 2008) up to 108,696 fully paid and non-assessable shares ("Warrant Shares") of common stock of PuriCore, Inc. at par value $0.001 per share at a purchase price of $0.92 per share. If there is any reclassification or change of outstanding securities issuable upon exercise of the Warrant or in case of any consolidation or merger of PuriCore, Inc. with or into another corporation or in the case of any sale or transfer to another corporation of the property of PuriCore, Inc. as an entirety or substantially an entirety, PuriCore, Inc. or such successor or purchasing corporation is required to execute a new Warrant upon terms no less favourable to Woolwich than those applicable to the current Warrant.

16.14 Promissory Note dated 29 December 2005 with Tennessee Commerce Bank

On 29 December 2005 PuriCore, Inc. entered into a promissory note with Tennessee Commerce Bank. The principal amount owed to Tennessee Commerce Bank under the note is $2,131,340.91 with interest at a rate of 7.5 *per cent* per annum. Principal and Interest are to be paid by PuriCore, Inc. in monthly installments commencing 1 February 2006 and then up to and including 1 December 2008. The note is also secured by a security agreement dated 29 December 2005 also between PuriCore, Inc. and Tennessee Commerce Bank.

16.15 Holdback Agreement dated 29 December 2005 with Tennessee Commerce Bank

PuriCore Management, Inc. and Tennessee Commerce Bank entered into a holdback agreement in connection with the promissory note dated 29 December 2005. Pursuant to the holdback agreement, $533,000 is held back by Tennessee Commerce Bank in the event of a non-payment event in relation to the promissory note and/or the security agreement. Provided that there are no non-payment events under the master lease agreement referred to therein, the promissory note or the security agreement, PuriCore, Inc. is entitled to (i) $125,000 on 1 January 2007, (ii) $125,000 on 1 January 2008 and (iii) $238,000 on 1 December 2008.

16.16 Promissory Note dated 22 November 2005 with Tennessee Commerce Bank

On 22 November 2005 PuriCore, Inc. borrowed $2,063,872 from Tennessee Commerce Bank in the form of a secured promissory note. The Note is payable in 35 monthly installments beginning in January 2006, bears interest at a rate of 7.5 *per cent* and is secured by leased equipment (and related payments). The Note is also secured by a security agreement dated 22 November 2005 between PuriCore, Inc. and Tennessee Commerce Bank.

16.17 Holdback Agreement dated 22 November 2005

On 22 November 2005, PuriCore Management, Inc. and Tennessee Commerce Bank entered into the Holdback Agreement in connection with the Promissory Note dated 22 November 2005. Pursuant to the Holdback Agreement, $500,000 is held back by Tennessee Commerce Bank in the event of a non-payment event in relation to the 22 November 2005 Promissory Note and/or the 22 November 2005 Security Agreement. Provided that there are no non-payment events under the Master Lease Agreement, the 22 November 2005 Promissory Note or the 22 November 2005 Security Agreement, PuriCore, Inc. is entitled to (i) $125,000 on 1 December 2006, (ii) $125,000 on 1 December 2007 and (iii) $250,000 on 1 December 2008.

On 14 April 2006 Tennessee Commerce Bank wrote to PuriCore, Inc. to confirm the $500,000 holdback amount earnt interest in a corporate savings account at a rate of 1.6789 *per cent*. As of 17 April 2006 the holdback amount was to be placed in a Regular Money Fund Tier-3 Account with interest adjusted on a weekly basis.

16.18 Barclays Bank Facility (UK)

PuriCore International Limited is provided with an overdraft facility by Barclays Bank plc. The overdraft amount originally totalled £550,000 until April 30, 2006. Barclays contacted PuriCore International Limited in April 2006 to confirm that it was reducing the overdraft amount. Barclays and PuriCore International Limited have agreed the overdraft facility will be reduced incrementally - by £100,000 on 30 April 2006 (to £450,000), £150,000 on 31 May 2006 (to £300,000) and £150,000 on 30 June 2006 (to £150,000). The overdraft is secured by a Barclays standard form Cross Guarantee and Debenture between PuriCore International Limited and PuriCore Europe Limited. PuriCore International Limited is required to forward a copy of its audited profit and loss account and balance sheet to Barclays no later than 270 days from the end of each accounting period.

16.19 New Office Facility Lease

PuriCore, Inc. has entered into a new sub-lease agreement for office facilities at 508 Lapp Road, Malvern, Pennsylvania 19355 US. The commencement date on this sub-lease is 1 July 2006, and unless terminated earlier the sub-lease expires on 30 September 2009.

17. TAXATION

The following statements are intended to apply only as a general guide to the material taxation consequences in the UK (paragraph 17.1) and the US (paragraph 17.2) arising for investors regarding the ownership and disposition of Ordinary Shares. The guidance which is intended as a general guide only, does not purport to be an exhaustive analysis of all possible tax considerations. Prospective investors in the Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares should consult their own tax advisers.

17.1 UK Taxation

(i) General

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HM Revenue & Customs in the UK (both of which are subject to change, possibly with retrospective effect). They are intended to apply only to shareholders who are resident or ordinarily resident in the UK for UK tax purposes, who hold the Ordinary Shares as investments and who are the beneficial owners of the Ordinary Shares. Prospective investors of Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) holders who do not hold their Ordinary Shares as capital assets, (ii) Shareholders who own (or are deemed to own) ten *per cent* or more of the voting stock of the Company, (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies and investment companies, (iv) Shareholders who hold Ordinary Shares as part of straddles, hedging or conversion transactions, (v) Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment and (vi) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate shareholder, through a permanent establishment or otherwise).

(ii) Dividends

Under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual Shareholder's liability to income tax liability is calculated on the aggregate of the dividend and the tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 *per cent* of the "gross dividend" (i.e., the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend or whose liability to income tax does not exceed the amount of the tax credit will not be entitled to reclaim any part of the tax credit. A UK resident Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10 *per cent* of the gross dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 *per cent* but will be able to set the tax credit off against part of this liability. The effect of that set off of the tax credit is that such a higher rate Shareholder will have to account for additional tax equal to 22.5 *per cent* of the gross dividend (which is also equal to 25 *per cent* of the net cash dividend received).

(b) Companies

A corporate Shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate Shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

(c) Pension funds

UK pension funds (provided they are "exempt approved schemes") are generally exempt from tax on dividends which they receive but will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

(iii) Chargeable Gains

A disposal of Ordinary Shares by a Shareholder who is either resident or ordinarily resident in the United Kingdom for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a branch or agency, or in the case of a company through a permanent establishment, and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency, or permanent establishment, may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of chargeable gains. A Shareholder who is an individual and who has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable on his return to the United Kingdom to tax on any capital gain realised (subject to any available exemption or relief) whilst not resident or ordinarily resident.

(iv) Stamp duty and stamp duty reserve tax

Subject to the following discussion in relation to depositaries and clearance services, in relation to the Ordinary Shares being issued by the Company, no liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company.

The subsequent conveyance or transfer on sale of the Ordinary Shares outside the CREST system will generally be subject to *ad valorem* stamp duty on the instrument of transfer at the rate of 0.5 *per cent* of the amount or value of the consideration given rounded up to the nearest £5. Stamp duty is normally paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 *per cent* of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares.

Where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 *per cent* of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares. Clearance service provides may opt, under certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the ordinary Shares into the clearance system and the exemption for dealings in the Ordinary Shares whilst in the system.

Under the CREST system for paperless share transfers, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 *per cent* of the value of the consideration given. Subsequent paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 *per cent* of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system.

The above statements are intended as a general guide to the current position. Particular rules apply to certain categories of person, including market intermediaries and certain categories of transaction such as sale and repurchase and stock borrowing arrangements.

(v) Inheritance and gift taxes

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and relief) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to

long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and special rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to inheritance tax. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements

17.2 US Federal Income Tax Considerations

US Federal Income Tax Considerations

This summary describes the principal tax consequences of the ownership and disposition of Ordinary Shares by US holders, as defined below, but it does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to hold or dispose of Ordinary Shares. This summary applies only to purchasers of Ordinary Shares who will hold Ordinary Shares as capital assets for tax purposes and does not apply to special classes of holders, such as banks, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, financial institutions, tax-exempt entities, insurance companies, real estate investment trusts, regulated investment companies, persons holding Ordinary Shares as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons liable for alternative minimum tax, pass-through entity or investors in a pass-through entity, persons owning 10.0 *per cent* or more of the voting stock of the Company, or persons whose "functional currency" is not the US dollar, grantor trusts and persons that received Ordinary Shares as compensation for the performance of services.

The discussion below is based upon current US federal income tax law and the provisions of the US Internal Revenue Code of 1986, or the Code, and regulations, rulings and judicial decisions as of the date of this Prospectus; any such authority may be repealed, revoked or modified, perhaps with retroactive effect, so as to result in tax consequences different from those discussed below.

Each potential US holder should consult such potential US holder's own tax advisor concerning the overall tax consequences to it, including the consequences under laws other than US federal income tax laws, of an investment in Ordinary Shares.

IRS Circular 230 Disclosure. To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that: (i) any United States federal tax advice contained in this communication (including any attachment) is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the US Internal Revenue Code; (ii) such advice was written in connection with the promotion or marketing of the transactions or matters addressed herein and (iii) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

In this discussion, references to a "US holder" are to a beneficial holder of Ordinary Shares that is

- a citizen or resident of the United States of America,
- a corporation, or other entity taxable as a corporation, created or organised under the laws of the United States of America or any political subdivision thereof or
- an estate the income of which is subject to US federal income taxation regardless of its source, or
- a trust if it (1) is subject to the primary supervision of a court within the US and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person for United States federal income tax purposes.

Treatment of Company as a Non-US Corporation

The Company is organised as a UK corporation (i.e., as a non-US corporation). Recently enacted US legislation imposes certain punitive tax results (including the possible recharacterisation of a non-US corporation as a US corporation) where a non-US corporation acquires the stock or assets of a US corporation and certain other conditions are satisfied. However, these punitives tax results are not applicable to a non-US corporation if, following the acquisition of the stock or assets of a US corporation, the non-US corporation is considered to have substantial business activity in the non-US country in which, or under the law of which, it is created or organised relative to its worldwide business

activity. For the purposes of making this determination, the business activities of certain affiliates of the non-US corporation will be considered. Although there is no definition of "substantial business activity" in either the relevant legislation or the legislative history, the US Treasury issued regulations on June 5, 2006, effective for acquisitions completed on or after June 6, 2006, that provide both a safe harbour and a facts-and-circumstances definition of this term. Under the safe harbour, the Company and its affiliates will be deemed to have "substantial business activity" in the UK if, during the twelve month period ending on the last day of the monthly or quarterly accounting period in which the Merger occurs, the Company and its affiliates have at least 10 *per cent* of their group employees (by headcount and compensation), at least 10 *per cent* of their assets (by value) and at least 10 *per cent* of their sales located in the UK. The Company believes that this safe harbour will be satisfied. In addition, even where the safe harbour is not satisfied, the determination of whether the UK business activity of the Company and its affiliates is "substantial" is determined based on all the facts and circumstances, including, among other factors, the UK employee headcount and payroll, property and sales; the historical presence in the UK; the management activities in the UK; and strategic importance of the UK. The Company also believes that this facts-and-circumstances test will be satisfied. Accordingly, the Company does not expect to be subject to the punitive tax results referred to within this paragraph (including recharacterisation as a US corporation).

Taxation of distributions

Subject to the passive foreign investment company ("PFIC") rules described below, a US holder will recognise ordinary dividend income for US federal income tax purposes in an amount equal to the amount of any cash and the value of any property distributed by the Company as a dividend to the extent that such distribution is paid out of the Company's current or accumulated earnings and profits, as determined for US federal income tax purposes, when such distribution is received by the US holder. The amount of a distribution paid in a currency other than the US dollar will be measured by reference to the exchange rate for converting such currency into US dollars in effect on the date the distribution is received by the US holder. If the US holder does not convert such currency into US dollars on the date it receives such currency, it is possible that the US holder will recognise foreign currency loss or gain, which would be ordinary loss or gain, when the currency is converted into US dollars. Dividends paid by the Company generally will not be eligible for the dividends received deduction allowed to corporations under the Code. Distributions out of current and accumulated earnings and profits with respect to the Ordinary Shares generally will be treated as dividend income from sources outside of the US. A distribution to a US holder in excess of the Company's current and accumulated earnings and profits will generally be treated first as a non-taxable return of capital to the extent of such US holder's adjusted basis in its Ordinary Shares, and any distribution in excess of such basis will constitute capital gain from the sale or exchange of property, and will be subject to US federal income tax in the manner described below.

Subject to applicable limitations, the US dollar amount of dividends received by an individual prior to 1 January 2011 with respect to the Ordinary Shares will be subject to taxation at a maximum rate of 15 *per cent* if the dividends are "qualified dividends." Dividends paid by a non-US corporation generally are treated as qualified dividends if (i) the non-US corporation is eligible for benefits of a comprehensive income tax treaty with the US which includes an exchange of information program and which has been deemed satisfactory by the US Secretary of the Treasury and (ii) the non-US corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Company believes that it is eligible for benefits of a comprehensive income tax treaty with the United States which includes an exchange of information program and which has been deemed satisfactory by the US Secretary of the Treasury. In addition, as discussed below, the Company believes that it will not be considered a PFIC for US federal income tax purposes. Accordingly, while there is no assurance that any dividends paid on the Ordinary Shares will be eligible to be treated as qualified dividends, the Company believes that they will be eligible.

Taxation of capital gains

Subject to the PFIC rules discussed below, upon the sale or other disposition of an Ordinary Share, a US holder will generally recognise gain or loss for US federal income tax purposes. The amount of the gain or loss will be equal to the difference between the amount realised on the disposition of the Ordinary Share and the US holder's tax basis in the Ordinary Share. Such gain or loss generally will be subject to US federal income tax, will be treated as capital gain or loss and will be long-term capital gain or loss if the Ordinary Share has been held for more than one year. Generally, capital gain

recognised by an individual holder before 1 January 2011 is subject to taxation at a maximum rate of 15 *per cent*. The deductibility of losses is subject to limitations. The gain or loss will generally be US source gain or loss for foreign tax credit purposes. Consequently, if UK tax is imposed on such gain, the US holder will not be able to use the corresponding US foreign tax credit to reduce the related US federal income tax, unless the holder has other foreign source income of the appropriate type in respect of which the credit may be used.

PFIC Rules

Based on the Company's audited financial statements, the Company believes that the Ordinary Shares will not be treated as stock of a PFIC for US federal income tax purposes. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among others, less-than-25 *per cent* owned equity investments in other corporations) from time to time, there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were treated as a PFIC for any taxable year during which a US holder held an Ordinary Share, certain adverse consequences could apply to the US holder. If the Company is treated as a PFIC for any taxable year, gain recognised by such US Holder on a sale or other disposition of the Ordinary Share would be allocated ratably over the US Holder's holding period for the Ordinary Share. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of the Ordinary Shares in excess of 125 *per cent* of the average of the annual distributions on the Ordinary Shares received by the US holder during the preceding three years or the US holder's holding period, whichever if shorter, would be subject to taxation as described above. Certain elections may be available (including a mark to market election) to US persons that may mitigate the adverse consequences resulting from PFIC status.

In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15 *per cent* dividend rate discussed above with respect to dividends paid to non-corporate US holders would not apply.

Each potential US holder should consult such potential US holder's own tax advisor concerning whether an investment in Ordinary Shares will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Backup withholding and information reporting

In general, dividend payments, or other taxable distributions, made within the United States to a non-corporate US Holder will be subject to information reporting requirements. Such payments or distributions to a non-corporate US Holder also may be subject to backup withholding tax, if the non-corporate US Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the Internal Revenue Service that he has failed to report all interest or dividends required to be shown on his US federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

The amount of any backup withholding collected from a payment to a US holder will be allowed as a credit against the US holder's US federal income tax liability and may entitle the US holder to a refund, provided that certain required information is furnished to the Internal Revenue Service.

18. GENERAL

18.1 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the activities of PuriCore.

18.2 Each of Nomura Code Securities and Nomura International has given and not withdrawn their written consent to the issue of this document with the references to their names in the form and context in which it appears.

18.3 The auditors of PuriCore, Inc. for the three years ended 31 December 2005 were KPMG LLP.

18.4 The Ordinary Shares are in registered form. It is expected that definitive share certificates will be despatched to allottees by Lloyds TSB Registrars by 7 July 2006. No temporary documents of title will be issued.

18.5 The total cost, charges and expenses in connection with the Placing are estimated to be approximately £3.6 million (exclusive of VAT) and are payable by the Company. Of this amount a total of approximately £1.1 million will be payable by the Company to financial intermediaries. The net proceeds of the Placing will be approximately £26.4 million.

18.6 The Placing Shares being placed have a nominal value of one pence and the premium on issue pursuant to the Placing will be approximately 65 pence per share.

18.7 Other than the application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated above, are there intended to be any other arrangements for dealing in the Ordinary Shares.

18.8 Other than as described in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

18.9 Other than pursuant to the terms of the Underwriting Agreement, no commissions are payable by the Company to any person in consideration of his agreeing to subscribe or his procuring or agreeing to procure subscribers for Ordinary Shares.

19. PRINCIPAL ESTABLISHMENTS

The following are the principal Establishments of the Group:

Location	Tenure	Annual Rent	Expiry Date	Approximate Area
320 King of Prussia Rd., Radnor, Pennsylvania, 19087 US	Leasehold	$188,871	October 2006	7,700
508 Lapp Road, Malvern, Pennsylvania, 19355, US	Leasehold	$322,387*	September 2009	20,469
Wolseley House, Dyson Way Staffordshire Technology Park, Beaconside, Stafford ST18 0AG UK	Leasehold	£109,200	September 2014	15,511

Note:
* Includes all utilities

As at 1 July 2006, the Company's lease on the property at Radnor will be terminated and the Company will move to new premises at 508 Lapp Road, Malvern, Pennsylvania, US.

20. ENVIRONMENTAL ISSUES

There are no environmental issues that might affect the Company's use of its tangible fixed assets.

21. NUMBER OF EMPLOYEES

As at the date of this document, the Company had the following number of employees:

Number of Employees		Total Number of Employees
US	UK	
40	52	92

22. RELATED PARTY TRANSACTIONS

22.1 In April 2002 PuriCore. entered into a bridge loan with certain third parties including Michael Sapountzoglou in the amount of $599,716. Pursuant to the terms of the loan, interest was earned by the lending parties at a rate of interest of 20 *per cent* per annum. The principal was paid in full in 2003.

22.2 In 2003 and 2004, Equinox Capital Limited, of which Mr Christopher Wightman is a member and director of, received fees from PuriCore, Inc. the Company incurred fees of $701,329 and $151,800, respectively, in relation to the placement of 10 *per cent* convertible notes issued by Sterilox Technologies, Inc. during the period from 1 April 2001 through 31 December 2001.

23. THIRD PARTY STATEMENTS

PuriCore confirms that the information sourced from third parties, listed below, has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the information inaccurate or misleading.

1. Frost and Sullivan European Disinfection and Sterilisation Equipment Markets and Frost and Sullivan Endoscopy Systems Market Report.
2. 72nd Annual Grocery Industry Report. SN's List of Top 25 Worldwide Food Retailers.
3. Forbes.com June 2006
4. The Economist May 2006
5. Nature February 2006
6. National Institutes of Health April 2006
7. CDC April 2001
8. Based on data from US Foodservice Data, American Hotel and Lodging Statistics, an American School's Database and the National Jail and Detention Directory.
9. Bubnis. Products of Salt Brine Electrolysis December (1999).
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    Barrette W.C. Jr., Hannum D.M., Wheeler W.D. and Hurst J.K. (1989) General mechanism for the bacterial toxicity of hypochlorous acid-abolition of ATP production. Biochemistry 28(23): 9172-9178.
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15. Wu Zhang, MD et al (2005) Evaluation of Sterilox™ for Controlling Microbial Contamination, Reducing Biofilm and Endotoxin in Dental Water
16. *Walker JT*, *Bradshaw DJ*, *Fulford MR*, *Marsh PD*. Microbiological evaluation of a range of disinfectant products to control mixed-species biofilm contamination in a laboratory model of a dental unit water system. Appl Environ Microbiol. 2003 Jun;69(6):3327-32
17. Selkon (2002). Development of a New Antiseptic for Testing Wound Infection
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20. World Health Organisation Infection Control Guidelines for Transmissible Spongiform Encephalopathies (Report of a WHO Consultation Geneva, Switzerland 23-26 March 1999) (Ref: WHO/CDS/CSR/APH/2000/3).

21. BSG Guidelines for Decontamination of Equipment for Gastrointestinal Endoscopy (BSG Working Party Report 2003).

22. Frost and Sullivan Global Advanced Wound Management Markets.

23. Deneen, M and Gross, A (January 2005) The Global Market for Water Treatment Products, The Journal of National Association for Business Economics, Volume 40, January 2005, Number 1.

24. SIGNIFICANT CHANGE

Except for the following items, there has been no significant change in the financial or trading position of the Group since 31 December 2005, the date to which the historical financial information set out in Part XI of this document relates:

(a) in January 2006 $6 million was raised in a private equity placement (as described in Note 3 in Part XII of this document);

(b) in April 2006 a $7.5 million line of credit was secured with a US commercial bank of which $4.6 million and $1.1 million was drawn down in April 2006 and June 2006, respectively (as described in Note 3 in Part XII of this document); and

(c) in the first 3 months of 2006, the Company installed 461 systems, increasing its installed base to 2,113 systems (as described in Part IV of this document), as such, first quarter revenues and fixed assets (reflecting the increase in rental systems) have increased significantly compared to previous quarters.

25. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the Registered office of PuriCore plc, Wolseley House, Dyson Way, Staffordshire Technology Park, Beaconside, Stafford ST18 0AG and the offices of Normura Code Securities Limited, 1 Carey Lane, London EC2V 8AE, UK from the date of this document and for a period of at least one month from the date of Admission.

26. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Morgan, Lewis & Bockius, 2 Gresham Street, London EC2V 7PE UK from the date of this document and for a period of at least one month from the date of Admission:

(a) the Memorandum and Articles of the Company;

(b) the financial statements for Sterilox Technologies, Inc. for the years ended 31 December 2003, 31 December 2004 and 31 December 2005;

(c) the Accountants Reports set out in Part XI of this document;

(d) Directors Service Contracts referred to in paragraph 13 of this Part XV;

(e) the Underwriting Agreement and the other material contracts, as referred to in paragraph 16 of this Part XV;

(f) the Expert's Report set out in Part XIII of this document;

(g) the Patent Agents Report set out in Part XIV of this document;

(h) the letters of consent referred to in paragraph 1 of this Part XV; and

(i) the rules of the New Scheme, the 2004 Scheme and the 2005 Scheme.

Dated: 27 June 2006

PART XVI: DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange becoming effective
"Articles"	the articles of association of the Company adopted by special resolution on 26 June 2006 conditional upon Admission, as further described in paragraph 9 of Part XV of this document
"Board" or "Directors"	the directors of PuriCore plc, as set out on page 22 of this document
"Combined Code"	the Combined Code on Corporate Governance dated July 2003 appended to but not forming part of the Listing Rules
"Companies Acts"	the Act, the Financial Services and Markets Act 2000 and the Companies Consolidation (Consequential Provisions) Act 1985
"Compound Annual Growth Rate" or "CAGR"	the year-over-year growth rate over a specified period of time
"CREST"	the computerised settlement system operated by CRESTCo Limited to facilitate the transfer of title to shares in uncertificated form
"CREST Regulations"	the Uncertified Securities Regulations 2001
"Enlarged Issued Share Capital"	the issued share capital of the Company after the Placing
"EPA"	the US Environmental Protection Agency
"EU"	the European Union
"Euro" or "€"	the lawful currency the European Economic and Monetary Union
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"Executive Directors"	the executive directors of the Company, being Greg Bosch and Keith Goldan
"FDA"	US Food and Drug Administration
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and its subsidiary undertakings
"IFRS"	International Financial Reporting Standards
"ISO"	International Standards Organization
"Joint Lead Managers"	Nomura Code Securities and Nomura International
"Listing Rules"	the listing rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Merger Agreement"	the agreement dated 16 May 2006 entered into by the Company to effect the Merger
"Merger"	the merger of PuriCore, Inc. with Sterilox MergerCo pursuant to which PuriCore, Inc. became a subsidiary of the Company
"Net Funds"	cash and the underlying value of services contributed to the company net of any related transaction costs
"New Ordinary Shares"	the 45,454,546 new Ordinary Shares proposed to be issued by the Company under the Placing
"Nomura Code Securities"	Nomura Code Securities Limited, in its capacity as sponsor, financial adviser, global co-ordinator, joint bookrunner, joint lead manager and joint underwriter
"Nomura International"	Nomura International plc, in its capacity as joint bookrunner, joint lead manager and joint underwriter
"Official List"	the Official List of the Financial Services Authority
"Ordinary Shares"	Ordinary Shares of £0.01 each in the capital of the Company

"Placing"	the placing of Ordinary Shares described in Part III of this document
"Placing Price"	the price at which each New Ordinary Share is to be issued under the Placing
"PuriCore" or "Company"	PuriCore plc or when the context requires, PuriCore plc and its subsidiary undertakings or any combination of them
"Prospectus Rules"	the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
"Regulations"	the Uncertified Securities Regulations 2001
"Regulation S"	Regulation S under the Securities Act
"SEC"	the US Securities and Exchange Commission
"Securities Act"	the US Securities Act of 1933, as amended
"Senior Management"	those members of the management bodies of PuriCore and its subsidiaries who are relevant to establishing that PuriCore has the appropriate expertise and experience for the management of its business for the purposes of paragraph 14.1 of Annex I of the Prospectus Rules, being Paul James Donnelly, Tom Hays Daniel, David Angelo Correale, Raymond Francis Mannion, Mark Nicholas Sampson and Walid Georges Abi Aoun
"Shareholders"	holders of Ordinary Shares
"Share Schemes"	The New Scheme, the 2004 Scheme and 2005 Scheme
"Sterilox Group"	PuriCore, Inc. and its subsidiary undertakings
"Sterilox Systems"	the branded system(s) marketed by PuriCore which produce a hypochlorous acid solution from water, electricity and common salt
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK GAAP"	generally accepted accounting principles in the UK
"UK Listing Authority"	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
"UK Resident"	a person who is resident or ordinarily resident for tax purposes in the UK
"Underwriters"	Nomura Code Securities and Nomura International
"Underwriting Agreement"	the conditional agreement entered into on 27 June 2006 between, inter alios, the Company and the Underwriters, details of which are set out in paragraph 16 of Part XV of this document
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"USDA"	United States Department of Agriculture
"US GAAP"	generally accepted accounting principles in the US
"WHO"	World Health Organisation
"$", "US$", "dollar" or "US dollar"	the lawful currency of the United States
"£", "Sterling", "pounds" "pounds sterling", "p" or "pence"	the lawful currency of the United Kingdom

GLOSSARY OF TECHNICAL TERMS

510(k)approval	pre-marketing process under section 510(k) of the US Food, Drug and Cosmetic Act whereby manufacturers notify the FDA of their intent to market a medical device
Acinetobacter	a group of bacteria found in water, soil, sewage, hospitals and different types of foods where they can cause serious infections in immuno-compromised people and are often resistant to antibiotics
Automated Endoscope Reprocessor or AER	a machine for the automated decontamination of endoscopes
aerobic plate count or APC	indicator of the level of micro-organisms in a product. Detailed procedures for determining the APC of foods have been developed by the Association of Official Analytical Chemists and the American Public Health Association
aldehyde	a highly-reactive chemical compound made by oxidising different alcohols to make resins and organic acids
antimicrobial	an agent that inhibits the growth or multiplication of micro-organisms, or kills them
autoclave	a device that uses steam to sterilise equipment
avian flu, bird flu or H5N1	subtype of the Influenza A virus that is capable of causing illness in many species, including humans. An avian-adapted, highly pathogenic strain of H5N1 is the causative agent of H5N1 flu, commonly known as “avian influenza” or simply “bird flu”, and is endemic in many bird populations
Bacillus subtilis	an aerobic bacterium that is commonly found in soil. An important property of *Bacillus subtilis* is its ability to form a tough, protective endospore, which allows it to tolerate extreme environmental conditions
biocide or biocidal	a product typically used to kill micro-organisms
biofilm	a naturally occurring community of micro-organisms enclosed within a polysaccharide matrix. Biofilms are ubiquitous in nature and protect micro-organisms from chemical attack
brine	saline solution
BSE	Bovine Spongiform Encephalopathy
Candida albicans	a fungus or a form of yeast, and a causal agent of opportunistic oral and vaginal infections in humans. Systemic fungal infections (fungemias) have emerged as important causes of morbidity and mortality in immuno-compromised patients
CJD	Creutzfeldt-Jakob’s disease
Conformité Européene or CE	a product marking applying to products regulated by the European Commission’s health, safety and environmental protection legislation, which indicates that a manufacturer has conformed with all the obligations required and is allowed to freely distribute the product
Chlorhexidine Gluconate or Chlorhexidine	a chemical antiseptic, to combat microbes. It is both bacteriostatic and bacteriocidal and is used in dental applications, for general skin cleansing, a surgical scrub and a pre-operative skin preparation
The Control of Substances Hazardous to Health (COSHH)	UK regulations which impose a number of obligations on employers; the object of the regulations is to promote safe working with potentially hazardous chemicals
decontamination	disinfection or sterilisation of infected articles to make them suitable for use
disinfectant	an agent that destroys most recognised pathogenic and other kinds of micro-organisms by chemical or physical means but not necessarily all microbial forms, such as bacterial spores

disinfection	the destruction of pathogenic and other kinds of micro-organisms by physical or chemical means. Disinfection is a less lethal process than sterilisation, since it destroys most recognised pathogenic microorganisms, but not necessarily all microbial forms, such as bacterial spores
electrochemical cell	a set up that uses an electrolyte and electrodes in such a way that a chemical reaction will produce an electric current sent through an external circuit. In any electrochemical cell, oxidation reactions take place at the anode, and reduction reactions take place at the cathode
electrolysis	breaking a chemical compound down into its elements by passing an electric current through it. Electrolysis of water, for example, produces hydrogen and oxygen
electrolyte	the medium in a fuel cell that provides the ion transport mechanism between the anode and the cathode necessary to sustain the electrochemical process. In a fuel cell, the electrolyte allows the transport of positively charged hydrogen ions (protons) from the anode, where they are produced, to the cathode, where they react with oxygen molecules and electrons to produce water
electrolyte	saline solution
endodontic	the branch of dentistry that deals with diseases of the tooth root, dental pulp, and surrounding tissue
endoscope	a fiber optic instrument for examining visually the interior of a bodily canal or a hollow organ such as the colon, bladder, or stomach
endoscopy, colonscopy, gastroscopy or bronchoscopy	endoscopy is the general term for the use of an endoscope, for examining the inside of the body. For instance the examination of the colon using an endoscope is called a colonscopy, the stomach in a gastroscopy and the examination of the bronchi in a bronchoscopy
endospores	the dormant state of an organism, typically a bacterium which exhibits a lack of biosynthetic activity, reduced respiratory activity, and has resistance to heat, radiation, desiccation and various chemical agents
ENT	ear, nose and throat
Enterococcus faecalis	a bacterium in the intestines of humans: *E. faecalis and E. faecium.* Infections caused by Enterococcus include urinary tract infections, bacteremia, bacterial endocarditis, diverticulitis, and meningitis. The most important feature of this genus is their high level of endemic antibiotic resistance
Escherichia coli, *E. coli* or *E.coli O157:H7*	a bacterium causing intestinal and extra-intestinal infections such as urinary tract infections, meningitis, peritonitis, mastitis, septicemia and gram-negative pneumonia. A particularly virulent example of such a strain of *E. coli* is *E.coli O157:H7* is an emerging cause of food borne illness
fogging	process of distributing liquid into the atmosphere through the delivery of very small droplets
germicide	an agent that destroys microorganisms, especially pathogenic organisms
gluteraldehyde	a colourless liquid with a pungent odour used to sterilise medical and dental equipment. It is also used for industrial water treatment and as a chemical preservative
Hazard Analysis Critical Control Point (HACCP)	an internationally recognised and recommended approach to food safety that anticipates and prevents hazards associated with ingredients

Helicobacter pylori	a bacterium that may cause inflammation of the stomach; they are found in persons with chronic gastritis, ulcers, or lymphoma of the stomach
hepatitis	a gastroenterological disease, featuring inflammation of the liver
hepatitis A	an enterovirus transmitted by the orofecal route, transmitted to humans through methods such as contaminated food.
high level disinfectant or HLD	a germicide that inactivates all microbial pathogens, except large numbers of bacterial endospores, when used according to labeling. The FDA further defines a high level disinfectant as a sterilant used under the same contact conditions except for a shorter contact time
HIV	human immunodeficiency virus, the virus that causes AIDS
HTM 2030	a document published by National Health Service Estates provides comprehensive guidelines on all aspects of the operation and maintenance of washer-disinfectors called the Health Technical Memorandum (or "HTM") 2030. A harmonised European Union standard for washer-disinfectors is currently being finalised (pr EN 15883), and is expected to incorporate guidelines that are broadly similar to those specified in HTM 2030. Washer-disinfectors that are used to clean and disinfect medical devices are themselves classified as medical devices. Washer-disinfectors must comply with the essential requirements of EU Medical Devices Directive (93/42/EEC) and bear a CE (Conformité Européan) mark indicating conformity with the demands of the Directive
hypochlorite	chemical compound containing 'available' chlorine used for disinfection.
ion	an atom or group of atoms that carries a positive or negative charge as a result of having lost or gained one or more electrons
Legionnaires disease or Legionella	an acute, sometimes fatal respiratory disease caused by a bacterium of the genus *Legionella,* especially *L. pneumophila,* and characterised by severe pneumonia, headache, and a dry cough
log reduction	log reduction stands for a 10-fold or one decimal or 90 *per cent* reduction in numbers of recoverable bacteria. The 6 log refers to 10 to the 6th power or reduction in the number of micro-organisms by 1,000,000 times
Methicillin-Resistant *Staphylococcus aureus* (MRSA)	a strain of *Staphylococcus aureus* that has become resistant to the antibiotic methicillin. In practice, MRSAs are generally resistant to many antibiotics and some are resistant to all but vancomycin
microbe	microscopic organisms, such as bacteria, fungi, microscopic algae, protozoa, and viruses
microflora	the many hundreds of natural microbial cultures that reside in the digestive tract that maintain health by aiding in proper digestion and supporting immune system function
misting	refers to a spraying small droplets of water into the air around produce to increase humidity
Mycobacteria	a genus of *Actinobacteria*, given its own family, the *Mycobacteriaceae*. It includes many pathogens known to cause serious diseases in mammals, including tuberculosis and leprosy. Mycobacterial infections are notoriously difficult to treat. The organisms are hardy and due to their cell wall are naturally resistant to a number of antibiotics that cause the destruction of cell walls such as penicillin. Also, because of this cell wall, they can survive long exposure to acids, alkalis, detergents, oxidative bursts, lysis by complement and antibiotics which naturally leads to antibiotic resistance

mutagenic	ability to cause mutations, a mutagen is a substance which can cause changes in the DNA of cells (mutations). Mutagenicity is the ability of a substance to cause mutations
Mycobacterium avium	*Mycobacterium avium-intracellulare* are pathogenic bacteria in the genus *Mycobacteria* that cause high numbers of infections in patients with AIDS
myeloperoxidase	an enzyme present in phagocytic neutrophils that aids in the destruction of foreign objects, such as pathogens, by forming hypochlorite from hydrogen peroxide & chloride ions
NADP oxidase enzyme complex	an important coenzyme, functioning as a hydrogen carrier in a wide range of reduction/oxidation reactions and catabolic and energy yielding transactions in the body;
neutrophil	a white blood cell that plays a central role in the defence of a host against infection. Neutrophils are phagocytes that engulf and destroy bacteria and fungi and foreign micro-organisms
norovirus	a group of related viruses, including Norwalk and Norwalk-like viruses, that can cause stomach pain, diarrhoea, and vomiting in humans. Norovirus is the most common cause of infectious gastroenteritis. Outbreaks of Norovirus gastroenteritis are common in semi-closed environments such as hospitals, nursing homes, schools and cruise ships
orthopthalaldehyde (OPA)	a aldehyde disinfectant used in the dininfection of endoscopes
oxidant	a substance containing oxygen that reacts chemically with other materials to produce new substances
Oxidative Burst Pathway	the release of reactive oxygen species (superoxide radical and hydrogen peroxide) from different types of cells. Usually it denotes the release of these chemicals from immune cells, e.g. neutrophils and macrophages, as they come into contact with different bacteria or fungi
pathogen	a micro-organism that causes disease in another organism. Generally, any viruses, bacteria, or fungi that cause disease
peracetic acid	a strong oxidant, also known as peroxyacetic acid
pH	(from “potential of Hydrogen”) the logarithm of the reciprocal of hydrogen-ion concentration in gram atoms per litre; provides a measure on a scale from 0 to 14 of the acidity or alkalinity of a solution (where 7 is neutral and greater than 7 is more alkaline and less than 7 is more acidic)
phagocytosis	the act of engulfing large, solid objects such as bacteria by cells, and delivery of these objects to digestive vacuoles in specialised cells such as macrophages and neutrophils
phagosome	in cell biology, a vacuole formed around a particle absorbed by phagocytosis. The vacuole is formed by the fusion of the cell membrane around the particle
plasma membrane proteins	the membrane that separates the contents of a cell from its outside environment; it consists of a double layer of phospholipids with embedded proteins that control passage of ions (like sodium or potassium or calcium) in and out of the cell
poliovirus or poliovirus type 2	the virus causing poliomyelitis (“polio”), or infantile paralysis, is a viral paralytic disease. It enters the body orally, infecting the intestinal lining. It may proceed to the blood stream and into the central nervous system causing muscle weakness and often paralysis. The type 2 strain is the most transmissible of the three poliovirus serotypes
protein fixation	the binding of protein onto surfaces in the presence of a chemical fixative agent

Pseudomonas aeruginosa	an opportunistic human pathogen of immuno-compromised individuals, *P. aeruginosa* typically infects the pulmonary tract, urinary tract, burns, wounds, and also causes other blood infections
sterile	state of being free from viable micro-organisms
sterilisation	validated process used to render a product free of all forms of viable micro-organisms
superoxide anion	highly reactive compounds produced when oxygen is reduced by a single electron. In biological systems, they may be generated during normal catalytic function of a number of enzymes
superoxide dismutase	an enzyme present in all oxygen-using organisms that scavenges free radicals and converts them into hydrogen peroxide and oxygen
tuberculosis, TB or *Mycobacterium tuberculosis*	an infectious disease caused by *Mycobacterium tuberculosis* that typically affects the lungs (pulmonary TB), but may also occur in other organs (extrapulmonary TB). TB infection refers to asymptomatic, latent infection with TB bacteria; active TB disease refers to symptoms caused by replicating bacteria
venous leg ulcers	leg ulcers often located just above the ankle, typically on the inside of the leg often because the valves connecting the superficial and deep veins are not functioning properly causing blood to flow from the deep veins back out to the superficial ones - a major cause of varicose veins

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