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

This document constitutes an admission document drawn up in accordance with the AIM Rules. None of the issue of the Consideration Shares, the issue of the Arbuthnot Shares or Admission, will constitute an offer to the public requiring an approved prospectus under section 85 of the Financial Services and Markets Act 2000 or otherwise and, accordingly, this document does not constitute a prospectus for these purposes and has not been approved by the Financial Services Authority of the United Kingdom pursuant to section 85 of the Financial Services and Markets Act 2000 or by any other authority or jurisdiction.

The whole of this document should be read. An investment in the Company includes a significant degree of risk and the attention of investors is drawn in particular to the Risk Factors set out in Part III of this document.

Baylon Holdings Limited
(formerly Molecra Group Limited)
(incorporated and registered in Jersey with registration number 91984)

Proposed Acquisition of Ila Security Ltd
Approval of waiver of Rule 9 of the City Code
Proposed change of name to Ila Group Limited
Admission of Enlarged Share Capital to trading on AIM
and
Notice of Extraordinary General Meeting

Nominated Adviser and Broker

Arbuthnot Securities Limited

Number of Shares in issue as at the date of this document	Number of Shares in issue immediately following Admission	Number of Shares in issue if all Contingent Consideration Shares are issued
146,300,787	540,582,827	915,291,060

Arbuthnot Securities Limited, which is authorised and regulated by the Financial Services Authority of the United Kingdom, is acting as the Company's nominated adviser and broker in connection with the proposed admission of the Enlarged Share Capital to trading on AIM and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any matter, transaction or arrangement referred to herein. The responsibilities of Arbuthnot Securities Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Existing Director, Proposed Director, Shareholder or any other person. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Notice of an Extraordinary General Meeting of Baylon Holdings Limited to be held at 3 More London Riverside, London SE1 2AQ at 10 a.m. on 4 March 2010 is set out at the end of this document. Whether or not they intend to attend the Baylon EGM, Shareholders are requested to complete and return the accompanying Form of Proxy as soon as possible and, in any event, so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 10.00 a.m. on 2 March 2010. The completion and return of the Form of Proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they subsequently wish to do so.

The Acquisition is conditional, *inter alia*, on admission of the Enlarged Share Capital to trading on AIM. Application will be made for the Existing Shares to be re-admitted to trading on AIM and for the Consideration Shares and the Arbuthnot Shares to be admitted to trading on AIM. It is expected that dealings in the Enlarged Share Capital will commence on 5 March 2010.

The Existing Directors and the Proposed Directors, whose names appear on page 4 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge of the Existing Directors and the Proposed Directors (who have taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

In accordance with the requirements of Jersey law, the Existing Directors and the Proposed Directors have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Existing Directors and the Proposed Directors accept responsibility accordingly.

The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Australia, Canada or Japan, nor has any prospectus in relation to the Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into or within the United States, Australia, Canada or Japan. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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A copy of this document has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of Shares.

It must be distinctly understood that, in giving these consents, neither the Registrar of Companies in Jersey nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time/Date</i>
Publication of Admission Document	15 February 2010
Latest time and date for lodging Forms of Proxy for the Baylon EGM	10.00 a.m. on 2 March 2010
Baylon EGM	10.00 a.m. on 4 March 2010
Completion of the Acquisition	5 March 2010
Expected date of Admission and commencement of dealings in the Enlarged Share Capital on AIM	5 March 2010

Each of the dates and times in the above timetable are estimates only and subject to change.

STATISTICS AND DEALING CODES

Number of Existing Shares	146,300,787
Number of Initial Consideration Shares	388,600,221
Number of Contingent Consideration Shares	374,708,233
Number of Shares in issue immediately following Admission*	540,582,827
Percentage of Enlarged Share Capital represented by the Initial Consideration Shares	71.9
Percentage of Contingent Enlarged Share Capital represented by the Consideration Shares	83.4
Current AIM Symbol	MOLE
Proposed new AIM Symbol upon Admission	ILA
ISIN code	GB00B0T2CP59

* Including the Arbuthnot Shares and excluding the Contingent Consideration Shares.

DIRECTORS, SECRETARY AND ADVISERS

Existing Directors	Paul Gazzard, <i>Chief Executive Officer (to become Chief Operating Officer)</i> Rodger Sargent, <i>Chief Financial Officer (to retire from the Baylon Board on Completion)</i>
Proposed Directors	Simon McGivern, <i>Chief Executive Officer</i> James Phillips, <i>Sales Director</i> Neil Munn, <i>Non-executive Director</i> Adam Arnold, <i>Non-executive Director</i>
Registered Office and business address of the Existing Directors and the Proposed Directors	PO Box 264 Union House Union Street St Helier Jersey JE2 8TQ
Nominated Adviser and Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Administrator and Secretary to Baylon	Anglo Saxon Trust Limited PO Box 264 Union House Union Street St Helier Jersey JE4 8TQ
Auditors to Baylon	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Reporting Accountants	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Legal Advisers to Baylon as to English law	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Legal Advisers to Baylon as to Jersey Law	Carey Olsen 47 Esplanade St Helier Jersey JE1 0BD
Legal Advisers to Ila	Fladgate LLP 25 North Row London W1K 6DJ

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3RT

Principal Bankers to Baylon

Coutts & Co
440 Strand
London
WC2R 0QS

Part I

Letter from the Chief Executive Officer of Baylon

Baylon Holdings Limited

(incorporated and registered in Jersey with registered number 91984)

Baylon Holdings Limited
PO Box 264, Union House
Union Street, St Helier
Jersey, JE2 8TQ
Tel: +44 (0) 1534 511761
Fax: +44 (0) 1534 511758

Existing Directors:

Paul Gazzard (Chief Executive Officer) *(to become Chief Operating Officer on Completion)*
Rodger Sargent (Chief Financial Officer) *(to retire from the Baylon Board on Completion)*

Proposed Directors:

Simon McGivern (Proposed Chief Executive Officer)
James Phillips (Proposed Sales Director)
Neil Munn (Proposed Non-executive Director)
Adam Arnold (Proposed Non-executive Director)

15 February 2010

Dear Shareholders

**Proposed Acquisition of Ila Security Ltd
Approval of waiver of Rule 9 of the City Code
Proposed change of name to Ila Group Limited
Admission of Enlarged Share Capital to trading on AIM
and
Notice of Extraordinary General Meeting**

1 Introduction

On 22 January 2010, the Company announced that it had completed the disposal of the business and assets of its operating subsidiary, Molecra Australia and thereafter would be an investing company with a policy of acquiring a company or business in the consumer retail and/or manufacturing sector. On that date the Company's Shares were suspended as the Company reported that it was in discussions regarding a transaction which could constitute a reverse takeover. Further to that announcement, the Company announced today that it has conditionally agreed to acquire the entire issued share capital of Ila, a UK based company established to develop and market Ila branded personal security and other devices. The consideration for the Acquisition will be satisfied entirely by the issue of up to 763,308,454 Shares to the shareholders of Ila, made up of 388,600,221 Initial Consideration Shares representing approximately 71.9 per cent. of the Enlarged Share Capital and up to 374,708,233 Contingent Consideration Shares (subject to adjustment), together representing approximately 83.4 per cent. of the Contingent Enlarged Share Capital.

The Acquisition, if implemented, will result in a fundamental change in the business, board and voting control of the Company and will also constitute a reverse takeover under the AIM Rules. Accordingly, the Acquisition requires the approval of Existing Shareholders at the Baylon EGM.

The purpose of this document is to explain the background to and reasons for the Acquisition and why the Existing Directors believe that the Acquisition is in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of all the Resolutions to be proposed at the Baylon EGM, notice of which is set out at the end of this document.

2 Background to and Reasons for the Acquisition

Following the recent disposal of the Molecetra Australia business, the Company is treated as an investing company under the AIM Rules with an investing policy of acquiring a company or business in the consumer retail and/or manufacturing sectors. With the Disposal in mind, the Company has for some time been considering potential acquisitions and a review of possible targets has been undertaken. After considering a number of possible businesses and after due diligence, Ila was identified as a potential merger partner and the terms of the Acquisition were negotiated. Ila was introduced to the Company by Rodger Sargent, an Existing Director and a shareholder in Ila. The Existing Directors consider Ila to be a business with significant potential and, given its need for working capital to help fund its continued expansion, a good fit for the Company which has the benefit of an AIM quotation and cash on its balance sheet.

Ila, which started business in 2008, manufactures and markets branded personal security and other devices designed, primarily, to appeal to women. Ila was founded following an approach from Zag (a subsidiary of leading communications agency Bartle Bogle Hegarty) to Simon McGivern and James Phillips, each of whom have experience designing, manufacturing (via outsourced manufacturers in China) and distributing alarms through another company, Locca, which was established in 2003.

The Acquisition, if implemented, will provide the Ila business with additional resources to assist in exploiting the potential opportunities in the market and in building awareness of the Ila brand. In particular, the increased cash position provided by Baylon's cash reserves (which stood at approximately £650,000 as at 12 February 2010 – this figure has not been audited) and the appointment of the Proposed Directors are intended to enable the Enlarged Group to achieve some or all of the following objectives:

- the expansion of Ila's existing relationships with major retailers, including the roll out of merchandising programmes;
- the expansion of Ila's research and development programme with a view to increasing its range of products within the next 12 months;
- to increase Ila's retail presence in the UK more generally to multiple nationwide retailers; and
- to increase Ila's international sales programme to the US and Canada and more widely across Europe. This may include the appointment of sales representatives or distributors with whom Ila is currently in discussions.

Further details of the history, current business and prospects of Ila are set out in Part II of this document.

Financial information on Ila for the 15 month period to 30 September 2009 is set out in Part V of this document.

3 The Board and key employees

Immediately following Admission, the Board will consist of three executive directors and two non-executive directors. It is the Directors' intention to appoint an independent non-executive director in due course. Brief biographical details of all members of the Board and any key employees and their proposed roles are set out below.

Board of the Company as enlarged by the Acquisition

Simon McGivern, *Chief Executive Officer (currently chief executive officer of Ila) Age 36*

Mr McGivern gained an MA (Hons) in Business and French from Edinburgh University. He began his professional career at Panmure Gordon Investments in 1997 where he trained in investment management. His work there involved financial analysis, portfolio management and the sourcing of venture capital opportunities. Mr McGivern left Panmure Gordon to start up Locca, a technology company headquartered in London whose primary business was designing and manufacturing a range of innovative electronic products for the retail and SME markets, in 2003. As Managing Director at Locca, Mr McGivern was responsible for key projects such as raising seed capital, designing and developing products, creating and implementing the marketing plan and running the financial operations of the company. In 2008 Mr McGivern became one of the founding directors of Ila with overall responsibility for the financial, product development, manufacturing and legal aspects of the company.

James Phillips, *Sales Director (currently sales director of Ila) Age 36*

Mr Phillips gained an MA (Hons) in Geography from Edinburgh University. He entered recruitment consultancy following university and then moved into corporate sales at Quintus Group. While at Quintus Group, he was chosen to set up the company's Asian operations. Following this, he left to set up his own corporate sponsorship company in Hong Kong. Mr Phillips was a founding director of Locca and was responsible for originating and completing a number of national and international distribution deals. In 2008, Mr Phillips became a founding director of Ila with responsibility for originating sales and growing retail and distribution partnerships. Mr Phillips has developed the majority of Ila's existing relationships with major national and international retailers.

Paul Gazzard, *Chief Operating Officer (currently Chief Executive Officer of Baylon) Age 38*

Mr Gazzard graduated from London University in 1993 with a degree in Biochemistry and Human Physiology. He worked in the City, including at Panmure Gordon, as a fund manager and investment analyst specialising in small cap technology stocks. He left the City in 2002 to join Virotec International plc. Mr Gazzard was involved in the launch of The Greenhouse Fund Limited in January 2006 and, as a principal of the strategic adviser to the fund, was involved in advising Greenhouse on its portfolio of investments. When The Greenhouse Fund Limited acquired Molecetra Australia in 2008 and concurrently changed its name to Molecetra Group Limited, Mr Gazzard became Chief Executive Officer of the enlarged group. It is proposed that on Admission, Mr Gazzard will become Chief Operating Officer of the Enlarged Group.

Neil Munn, *Non-executive Director, Age 45*

Mr Munn spent 16 years at Unilever working with some of its most successful brands. Mr Munn's roles included 5 years in Asia helping Unilever establish its China business, in France as Brand Director of Unilever's beverages business with executive responsibility for strategy, innovation and communication and extensively in the UK market in both general management and brand development. His final role at Unilever was as global brand director on Lynx. In 2006 Mr Munn left Unilever to become Chief Executive Officer of Zag.

Adam Arnold, *Non-executive Director, Age 31*

Mr Arnold graduated from Cambridge University in 2000 with a first class MA degree in Geography. He joined the Bartle Bogle Hegarty advertising agency as a graduate trainee in the same year. He spent eight years in the BBH account management department working for blue chip brands such as Audi, Warburtons and ITV and served as global business director for Vodafone. He was responsible for brand strategy and communications campaigns that ran across different media and multiple territories. In 2008, he joined Zag as General Manager. He oversees all of Zag's brand assets and leads the majority of its partnerships.

Key Employees

Rodger Sargent, *Financial Controller (currently Chief Financial Officer of Baylon) Age 38*

Mr Sargent qualified as a chartered accountant with PricewaterhouseCoopers, London in 1996. He was a founder and the finance director of Sports Resource Group Limited, Sports Internet Group plc and InTechnology plc. Mr Sargent was involved in the launch of The Greenhouse Fund Limited in January 2006 and as a principal of the strategic adviser to the fund, was involved in advising The Greenhouse Fund Limited. When The Greenhouse Fund Limited acquired Molecetra Australia in 2008 and concurrently changed its name to Molecetra Group Limited, Mr Sargent became Chief Financial Officer of the enlarged group.

Mr Sargent will retire from the Board immediately following Admission but will remain an employee of the Company carrying on the role of financial controller.

4 Principal Terms of the Acquisition

The Acquisition comprises the conditional purchase by the Company of the entire issued share capital of Ila from the Vendors in consideration for the allotment and issue, credited as fully paid, of up to 763,308,454 Consideration Shares. The Consideration Shares will be split into two tranches: 388,600,221 Initial Consideration Shares, which will be allotted to the Vendors on Completion; and up to 374,708,233 Contingent Consideration Shares, which will be allotted to the Vendors depending on whether or not Baylon receives a tax rebate from the Australian authorities, as described further

below. The Initial Consideration Shares will rank *pari passu* in all respects with the Existing Shares in issue as at the date of the Acquisition Agreement.

The Existing Directors understand that Molecra Australia, which remains a wholly owned subsidiary of Baylon, may receive a potentially material tax credit following Admission. There is no guarantee that any tax credit will be received or, if such a tax credit is received, what its value will be. As this tax credit could potentially be a material asset for Baylon, it was taken into account when the terms of the Acquisition were negotiated. If the full estimated value of the potential tax credit (£554,444) is received, then none of the Contingent Consideration Shares will be allotted to the Vendors. If no tax credit is received by the deadline of 31 December 2010 (subject to extension to 31 March 2011), or if such a tax credit is received but it is less than the estimated value of £554,444, then some or all of the Contingent Consideration Shares will be allotted to the Vendors, depending on the value of the tax credit received. As the tax credit will be paid in Australian Dollars, the Company will be subject to the risk of exchange rate movements prior to the receipt of the tax credit, if any.

The Acquisition Agreement has been entered into by the Company with certain shareholders of Ila, representing approximately 64 per cent. of the entire issued share capital of Ila. Arrangements have been put in place for the remaining shareholders of Ila to execute a voluntary transfer of their shares in favour of Baylon, or failing which, for such shares to be acquired pursuant to a drag-along right in the articles of association of Ila. Completion of the Acquisition Agreement is conditional upon the effective transfer of these remaining shares to the Company. This condition may be waived in whole or in part by the Company, but this document assumes the acquisition of the entire issued share capital of Ila by the Company.

The Acquisition is conditional, *inter alia*, upon (i) the passing of the Resolutions numbered 1, 2 and 3 at the Baylon EGM, (ii) the Acquisition Agreement being unconditional except in respect of Admission, (iii) the Takeover Panel granting a waiver of the obligation of Ila to make a general offer for the Company under Rule 9 of the City Code, and (iv) Admission of the Enlarged Share Capital to trading on AIM.

The Company has the ability to terminate the Acquisition Agreement prior to Completion if there shall have occurred a material breach of the Acquisition Agreement by certain of the key Vendors, including a material breach of any warranty or pre-completion undertaking, upon the occurrence of any event which would result in a material breach of any of the warranties upon their repetition at Completion, or upon the occurrence of certain other adverse events in respect of Ila, provided that any such event or events have or is likely to have a material adverse effect on Ila.

Simon McGivern also has the ability to terminate the Acquisition Agreement on behalf of the Vendors prior to Completion if there shall have occurred a material breach of the Acquisition Agreement by the Company, including a material breach of any warranty or pre-completion undertaking, upon the occurrence of any event which would result in a material breach of any of the warranties upon their repetition at Completion, or upon the occurrence of certain other adverse events in respect of the Company, provided that any such termination event has or is likely to have a material adverse effect on the Company.

Subject to certain very limited circumstances, the Company has agreed to make a contribution to Ila's costs. This contribution is classified as an inducement fee under the City Code and the maximum amount of such payment by the Company is £50,000.

Further details of the Acquisition Agreement is set out in paragraph 11.1 of Part VII of this document.

5 Dividend Policy

It is the intention of the Directors to retain cash generated through the operations of the Enlarged Group to finance expansion and investment opportunities. Accordingly, the Directors do not believe that the Company will pay dividends for the foreseeable future.

6 Waiver of Rule 9 of The City Code

The City Code governs, amongst other things, transactions that may result in a change of control of a public company to which the City Code applies, including the Company. Under Rule 9, where a person acquires an interest (as such term is defined in the City Code) in shares which, when taken together with any shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company that is subject to the

City Code, such person or group is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person together with persons acting in concert with him is interested in shares which, in the aggregate, carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

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

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, the Company.

For the purposes of the City Code, all of the members of the Concert Party are deemed to be acting in concert, and their interests are to be aggregated. Further information about the Concert Party is set out in paragraph 7.6 of Part VII of this document.

Assuming that: (i) the Resolutions are duly passed, (ii) all of the Consideration Shares (i.e. the Initial Consideration Shares and the Contingent Consideration Shares) are issued under the terms of the Acquisition Agreement, (iii) the potential tax credit due to Molecra Australia is not received before 31 December 2010, and (iv) no options or other rights to subscribe for Shares are exercised between the date of this document and Admission, the Concert Party will hold, in aggregate, 488,910,608 Shares, representing approximately 53.4 per cent. of the Company's issued ordinary share capital. Assuming exercise in full by the members of the Concert Party of the Rollover Options that will be held by members of the Concert Party following Admission (and assuming that no other person exercises any option or other right to subscribe for shares in the Company) the members of the Concert Party will between them own 531,269,260 Shares representing approximately 55.8 per cent. of the Company's enlarged issued share capital. The Rollover Options will become exercisable on 31 March 2010 subject to the terms of the Ila EMI Scheme. The relevant holdings of each Concert Party member, now and following implementation of the Acquisition and following the exercise of the Rollover Options on the basis set out above, are stated in paragraph 7.6 of Part VII of this document.

At Admission, when the Initial Consideration Shares and the Arbuthnot Shares will be allotted, the members of the Concert Party will between them be issued with 248,904,318 Shares, representing approximately 46.0 per cent. of the Company's issued ordinary share capital.

Following the issue of the Contingent Consideration Shares (and based on the above assumptions), the members of the Concert Party will between them be interested in 488,910,608 Shares, representing approximately 53.4 per cent. of the Company's issued ordinary share capital. This means that members of the Concert Party may acquire further Shares without limit without being required to make a general offer for the balance of the Shares not held by them.

In the absence of a waiver granted by the Panel, Rule 9 would require the Concert Party to make a general offer for the balance of the Shares in issue immediately following the Acquisition. The Panel has been consulted and has agreed, subject to the passing on a poll by Shareholders of the Whitewash Resolution, to waive the obligation on the Concert Party that would otherwise arise under Rule 9, as a result of the issue of the Consideration Shares pursuant to the Acquisition, for a general offer to be made by the Concert Party for the balance of the issued Shares not already held by the Concert Party.

7 Share Option Arrangements

On 24 March 2009, the Company adopted a new share option scheme (the **Share Option Scheme**), under which the Company has authority to grant options to employees or directors of, and consultants to, the Company and any of its subsidiaries. Options over 16,600,000 Shares have been granted under this scheme. Under the terms of the Share Option Scheme the number of Shares under option cannot exceed 10 per cent. of the Company's issued share capital as at the date of grant.

The Company proposes to continue to use the Share Option Scheme to reward and incentivise directors and senior management and attract, retain and motivate individuals to ensure the long term success of the Company.

Ila has granted options over its own shares under the Ila EMI Scheme to Simon McGivern, James Phillips and another employee, Nick Christie. These options will be exchanged for new options over

Shares on Completion (the **Rollover Options**) and remain subject to the rules of the Ila EMI Scheme. Following Completion, the number of Shares that will be under option to these individuals will be 54,329,284. The exercise price of the Rollover Options will be 0.078p per Share. The total percentage of the diluted Contingent Enlarged Share Capital (i.e. assuming conversion of all outstanding options) under option immediately following Completion will be 7.4 per cent.

As the number of Shares subject to the Rollover Options to be granted to Messrs McGivern, Phillips and Christie is based on the total number of Consideration Shares to be issued to the Vendors as a whole (i.e. the total number of Initial Consideration Shares and Contingent Consideration Shares), the receipt of any tax credit by Molecra Australia that would lead to some or all of the Contingent Consideration Shares not being issued will require the concurrent cancellation of a proportion of the Rollover Options in respect of the relevant number of Shares. This will be done on the same mathematical basis as the reduction in the number of Contingent Consideration Shares to be allotted under the Acquisition Agreement. The maximum number of Shares in respect of which a proportion of the Rollover Options will be cancelled will be 26,670,255, and the Rollover Options will be cancelled in respect of the maximum number of Shares if a tax credit to the value of £554,444 or above is received prior to 31 December 2010 (subject to extension to 31 March 2011). If no tax credit is received by 31 December 2010 (subject to extension to 31 March 2011), or if it has a value of zero, no proportion of the Rollover Options will be cancelled. If a tax credit of between zero and £554,444 is received, the Rollover Options will be cancelled in respect of a proportionate number of Shares on a *pro rata* basis.

8 Lock-In Arrangements

Under the terms of lock-in deeds, the Existing Directors (including Rodger Sargent who will continue to be an applicable employee within the meaning of the AIM Rules), Simon McGivern, James Phillips and Zag, being related parties as defined by the AIM Rules, have agreed with Arbuthnot and the Company not to sell, transfer or otherwise dispose of any interest in any Shares held by them immediately following Admission, other than in certain limited circumstances, for a period of 12 months following Admission pursuant to Rule 7 of the AIM Rules.

The Existing Directors (including Rodger Sargent), the Proposed Directors and Zag have also agreed that any sale or disposal of Shares will be effected through Arbuthnot for such time as it remains the Company's broker and/or nominated adviser under the AIM Rules and offers competitive terms for such sale or disposal.

Assuming all of the Contingent Consideration Shares are issued during the lock-in period, the lock-in arrangements outlined above will apply in respect of 466,601,208 Shares representing approximately 51.0 per cent. of the Enlarged Share Capital.

Further details of the lock-in arrangements are set out in paragraph 11.5 of Part VII of this document.

9 Corporate Governance

The Directors recognise and value the importance of high standards of corporate governance and intend to observe the requirements of the QCA Guidelines to the extent that they consider reasonably practicable in light of the Company's size, stage of development and resources. The Board will ensure that proper procedures are adhered to with regard to the approval of the Company's annual and interim accounts.

Upon Admission, the Board will consist of five directors, two of whom will be non-executive directors. Neither of the non-executive directors will be independent for the purposes of the QCA Guidelines. It is the Directors' intention to appoint an independent non-executive director in due course.

From Admission, the Company will not have a Chief Financial Officer sitting on the Board of Directors although the current Chief Financial Officer, Rodger Sargent, will assume the role of financial controller. The Board intends to find a suitable candidate to act as Chief Financial Officer in due course.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. Shortly following Admission, the Directors intend to establish an audit committee and a remuneration committee with formally delegated rules and responsibilities. It is intended that the remuneration committee will meet as and when appropriate and the audit committee will meet at least twice each year.

The audit committee will comprise Neil Munn and Adam Arnold, and will be chaired by Neil Munn. The audit committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the accounting and the internal control systems in use throughout the Company.

The remuneration committee will also comprise Neil Munn and Adam Arnold and will be chaired by Neil Munn. The remuneration committee will review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees.

10 Share Dealing Code

The Company has previously adopted a share dealing code appropriate for a company admitted to trading on AIM. The Company will take proper steps to ensure compliance by the Directors and all applicable employees.

11 Financial Information on Baylon

In accordance with Rule 28 of the AIM Rules, this Admission Document does not contain historical financial information on Baylon which would otherwise be required under Section 20 of Annex I of the AIM Rules. Audited financial statements of Baylon for the three years ended 31 December 2008 and unaudited interim financial accounts of Baylon for the six months to 30 June 2009 are available from the Company's website at www.molectragroup.co.uk.

12 Extraordinary General Meeting

Set out at the end of this document is a notice convening the Baylon EGM to be held at 3 More London Riverside, London SE1 2AQ, on 4 March 2010 at 10 a.m. The terms of the Resolutions are set out in that notice.

12.1 Resolution 1

Resolution 1, which is an ordinary resolution, is the Whitewash Resolution, pursuant to which the Shareholders are being asked to approve the Panel's waiver of the Concert Party's obligation to make a general offer under Rule 9. This resolution requires approval by the Shareholders on a poll (voting in person or by proxy at the General Meeting) representing a majority of the Existing Shares held by them. No member of the Concert Party currently holds any Shares and therefore no member of the Concert Party will be able to vote on this resolution at the General Meeting.

This resolution is a condition to Completion under the terms of the Acquisition Agreement. A summary of the key conditions to Completion and the other terms of the Acquisition Agreement can be found in paragraph 11.1 of Part VII of this document.

12.2 Resolution 2

Resolution 2, which is an ordinary resolution, seeks Existing Shareholders' approval of the acquisition of Ila, which constitutes a "reverse takeover" for the purposes of the AIM Rules. A summary of the principal terms of the Acquisition Agreement can be found in paragraph 11.1 in Part VII of this document. Resolution 2 is also conditional on the passing of Resolutions 1 and 3.

12.3 Resolution 3

Resolution 3, which is an ordinary resolution, seeks Existing Shareholders' approval of an extension to the Company's authority to allot shares in the Company in order to effect the Acquisition and to allow the Company to allot shares in future. This authority will expire at the Company's next annual general meeting.

12.4 Resolution 4

Resolution 4, which is a special resolution, seeks Existing Shareholders' authority to allot shares without the application of the pre-emption rights that are contained in the Company's Articles. The authority granted by this resolution is limited to 27,029,141 shares, approximately 5 per cent. of the Enlarged Share Capital. This authority will expire at the Company's next annual general meeting. The Acquisition is not conditional on the passing of resolution 4.

12.5 Resolution 5

Resolution 5, which is a special resolution, seeks Existing Shareholders' approval of the Company's change of name to Ila Group Limited. Resolution 5 is conditional on the passing of Resolutions 1, 2 and 3.

The relevant resolutions are set out in full in the notice of the Baylon EGM at the end of this document.

13 Admission and Dealings

Application will be made to the London Stock Exchange for the Existing Shares to be re-admitted to trading on AIM and for the Initial Consideration Shares and the Arbuthnot Shares to be admitted to trading on AIM, conditional upon, *inter alia*, the approval of the Acquisition at the Baylon EGM. Application will be made for the Contingent Consideration Shares to be admitted to trading on AIM once it is confirmed whether, and if so how many, Contingent Consideration Shares will be issued.

It is expected that Admission will become effective and dealings will commence in the Enlarged Share Capital on 5 March 2010. No application has or will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations.

Settlement of transactions in the Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB. Trading in the Company's Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

14 Further Information

Existing Shareholders should read the whole of this document which provides additional information on the Company, Ila and the Acquisition and should not rely on summaries of, or individual parts only of this document. Your attention is drawn, in particular, to the Risk Factors set out in Part III of this document and the Additional Information set out in Part VII of this document.

15 Action to be Taken

A Form of Proxy is enclosed for use by Existing Shareholders in connection with the Baylon EGM. Whether or not you intend to be present at the Baylon EGM, Existing Shareholders are asked to complete, sign and return the Form of Proxy to Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 2 March 2010. The completion and return of a Form of Proxy will not preclude Existing Shareholders from attending the Baylon EGM and voting in person should they wish to do so. Accordingly, whether or not you intend to attend the Baylon EGM, you are urged to complete and return the Form of Proxy as soon as possible.

16 Recommendation

The Existing Directors, who are independent for the purposes of this recommendation (including Rodger Sargent who holds 77,800 shares in Ila representing 0.65 per cent. of the total issued share capital of Ila) and who have been so advised by Arbuthnot Securities, believe that the terms of the Resolutions are fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Existing Directors, Arbuthnot Securities has taken into account the Existing Directors' commercial assessments. Accordingly, the Existing Directors recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 6,500,000 Existing Shares, representing approximately 4.4 per cent. of the Existing Share Capital.

Yours faithfully,

Paul Gazzard
Chief Executive Officer

Part II

Information on Ila

1 History and Background

Ila was incorporated in July 2008 to manufacture innovative, style-conscious products designed primarily to appeal to women. The founders of Ila (being Simon McGivern, James Phillips and Zag) believe there was a 'brand gap' in the personal security device market in a society where personal safety is perceived as an increasing issue. Ila therefore set out to manufacture fashionable personal security devices. Ila's first product was the *Dusk*, a pocket-sized alarm that emits a 120 decibels female scream, designed to scare away a potential attacker and give women time to escape. It is designed as an accessory to be worn on a key chain or handbag, with a range of styles to choose from.

Despite no trading history and a limited marketing budget, Ila managed to secure its first contract with a major FTSE 100 retailer in Autumn 2008 for a test in a limited number of stores. The initial order sold successfully during Christmas 2008, with new products reordered in 2009. The *Dusk* is now available in the majority of the retailer's large stores nationwide. A second major retail group has recently started to trial the *Dusk* in a limited number of stores and it is hoped the trial will become a full supply contract later in 2010. In 18 months of operations, Ila has created its own niche within the personal security device market and has established the brand in the UK, selling through well known, domestic, FTSE 100 retailers and internationally, through major retail chains in Canada and the Netherlands.

As a result of the success with the two major UK retailers referred to above, a number of other UK and international retailers, some mainstream, others more specialist, are currently in talks with Ila to begin distributing Ila products, although the successful outcome of these discussions cannot be guaranteed.

2 Financial information on Ila

Historical financial information on Ila for the period from 2 July 2008 to 30 September 2009 is set out in section B of Part V of this document and an accountant's report on that information is set out in section A of Part V. Note 5 to that financial information refers to employee expenses. It should be noted that Simon McGivern and James Phillips did not draw salaries until July 2009; employee expenses going forward will therefore be disproportionately higher than for the period covered by the historic financial information in Part V of this document. With effect from Admission each of the executive Directors will be entitled to a salary of £65,000 per annum, as set out in paragraph 10 of Part VII of this document.

3 Current Trading and Prospects

In the period from 1 October 2009 to 31 December 2009, Ila has continued to make satisfactory progress in relation to both its sales pipeline and new product development. A number of trials of Ila's products are beginning with several major new retailers, in particular in Canada and across Europe. In the UK, Ila is currently discussing trials of its products with a number of further major retailers. In addition, new channels are responding well to sales initiatives, in particular, television sales networks and catalogue chains. Following a strong Christmas trading period, the Directors are of the view that relationships with existing retailers are developing well, with Ila's largest customer requesting the presentation of three new Ila products for 2010. New product development is providing further momentum, with prototypes being well received by existing and new customers.

4 Marketing

Due to the nature of Ila's target market for its products, the Directors believe that brand and marketing are a key part of the strategy for expansion. Ila's largest shareholder is Zag, the product development arm of BBH, one of the UK's largest independent advertising agencies. Zag has, for no charge other than re-charging its expenses, helped develop Ila's brand and marketing strategy, including a major outdoor advertising deal. The poster campaign, which commenced in September 2009, ran in a number of the UK's major cities, with two further campaigns planned for Summer and Autumn 2010.

As a result of a concerted media and PR campaign, including having Jackie Hames, who has appeared on the television programme *Crimewatch*, as a brand ambassador, and despite a limited

budget, Ila has managed to create consumer awareness, including coverage in The Telegraph, The Independent, The Sun, The Daily Mail, The Daily Express, Grazia and Hello! and on GMTV.

5 New products

The Directors consider that a key to future growth of Ila is the pipeline of new products. The development of five new Ila products (provisionally called *Jogger*, *Hook*, *Wedge*, *Pebble* and *Leash*) is at a relatively advanced stage. Ila actively seeks feedback from distributors, retailers and target markets to ensure that there is sufficiently large potential demand to justify the development of new products. The new products have received indications of early interest from existing retailers and offer potential new distribution opportunities for Ila as an extended product range facilitates approaches to prospective new distributors.

6 International sales

As well as an increased product range, a significant part of Ila's strategy for growth is to increase international sales. Extensive market research has been undertaken during 2008 and 2009, with retailers already signed up in Canada and the Netherlands. A number of further major international distributors have expressed an interest in Ila's products and negotiations have commenced with some of them. An increased product range should also help with such negotiations and increase Ila's credibility. Ila is also in the process of signing sales agents in the US, Europe and Japan who are in early talks with a number of retailers on Ila's behalf.

7 Design, manufacture and distribution

Ila initially engaged Locca to complete the technical design of its products but it now conceives, researches and designs all products in house. Ila also utilises a range of third party consultants for various specialist and technical aspects of product development (including testing and engineering). All of the products are currently manufactured in China by a third party in a modern factory that manufactures products for a number of major companies currently under an arrangement with Locca as detailed below. The current manufacturing facilities have been quality audited and approved by a number of major retailers. Distribution is performed by a third party logistics company that has a worldwide operation, thus keeping Ila's overheads to a minimum.

8 Relationship with Locca and other entities and conflicts of interest

Simon McGivern and James Phillips hold approximately 40 per cent. of the issued share capital of Locca. The remaining shares are owned by a number of other shareholders, all of whom are also shareholders in Ila. Simon McGivern, James Phillips and Paul Gazzard are directors of Locca and Mr McGivern's wife acts as company secretary. Locca's business is the design and distribution of remote locking systems for the home and commercial premises, as well as wireless intercoms and smoke alarms. Locca's current business does not compete with that of Ila. When Simon McGivern, James Phillips and Zag founded Ila, Ila engaged Locca to complete the technical design of the Ila *Dusk* and *Pebble* products. Locca was then engaged to manufacture the products because of its pre-existing relationships with manufacturers in China. Ila's future products will be developed in conjunction with Zag and third party technical contractors, with Ila itself entering into the manufacturing agreements with manufacturers. Ila is currently in discussions with the manufacturer of the *Dusk* product (a sub-contractor of Locca), and other manufacturers with a view to them supplying products direct to Ila.

Simon McGivern and James Phillips devote substantially all of their working time to Ila. The terms of their service agreements with the Company, which are conditional on Admission, provide that Simon McGivern and James Phillips will devote at least 75 per cent. of their working time to the Enlarged Group.

Ila outsources, on arms length terms, its requirements for press relations to Jo McGivern, Simon McGivern's wife.

Neil Munn is a director of Zag and holds 25 per cent. of Zag's issued share capital. Neil Munn and Adam Arnold are both employees of Zag, with whom Ila has actively co-operated to develop its products. The Existing Directors and the Proposed Directors consider that the relationship with Zag and BBH is important to and in the interests of Ila's future business development. Zag will also hold 22.4 per cent. of the Enlarged Share Capital following Admission. Assuming all of the Contingent Consideration Shares are issued to the Vendors, Zag's holding will increase to 26.9 per cent of the Contingent Enlarged Share Capital at the time of issue of the Contingent Consideration Shares.

Whilst it is possible that the relationships described above could give rise to potential conflicts of interest, the Directors are of the view that these are unlikely to give rise to any material harm to the Enlarged Group and in the event that any conflicts do arise they should be capable of efficient resolution. The Directors will always aim to ensure that such conflicts are resolved having regard to the best interests of the Company and its Shareholders.

Part III

Risk Factors

There are significant risks associated with the Enlarged Group. In particular, Shareholders and prospective investors (as appropriate) should consider the following factors before making any decision to purchase Shares or to vote in favour of the Resolutions, and should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making a final decision. An investment in the Company may not be suitable for all recipients of this document.

The following risks are the material risks of which the Existing Directors and Proposed Directors are aware. Additional risks which are not presently known to the Existing Directors and Proposed Directors, or that the Existing Directors and Proposed Directors deem immaterial, may also have an effect on the Company's and, after Completion, on the Enlarged Group's business or results of operations.

Share price volatility and liquidity

The price of securities and the income from them (if any) may go down as well as up. The price at which the Shares may trade and the price which Shareholders may realise for their Shares will be influenced by a large number of factors, some specific to the Company and, after Completion, the Enlarged Group, and some which may affect quoted companies generally. These factors could include the performance of the Company's and, after Completion, the Enlarged Group's, operations, large purchases or sales of Shares, liquidity (or absence of liquidity) in the Shares, currency fluctuations, legislative or regulatory changes and general economic conditions.

AIM

Application will be made for the Enlarged Share Capital and, assuming that some or all of the Contingent Consideration Shares are issued, for the Contingent Consideration Shares to be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher degree of risk than an investment in shares admitted to the Official List of the UK Listing Authority.

AIM Rules

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

Tax

The attention of Shareholders is drawn to paragraph 14 of Part VII of this document. The tax rules and their interpretation relating to an investment in the Company and, after Completion, the Enlarged Group, may change from time to time. Any change in the Company's and, after Completion, the Enlarged Group's, tax status or in taxation legislation or its interpretation, may affect the Company's and, after Completion, the Enlarged Group's, ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and, after Completion, the Enlarged Group, and its investors are based upon current tax law and practice which is, in principle, subject to change.

Rights of Shareholders under the laws of Jersey

The Company is a limited company that has been formed and registered under the laws of Jersey. The rights of Shareholders are governed by the laws of Jersey and the Memorandum and Articles of Association. As a result, the rights of Shareholders may differ in material respects from the rights that would be applicable if the Company and, after Completion, the Enlarged Group were organised under the laws of a different jurisdiction. In particular, some of the protections and safeguards that investors may expect to find in relation to a public company under the Act are not provided for under the Law. The enforcement of Shareholders' rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in a different jurisdiction.

The Enlarged Group has a limited history of sales of its key products, which makes it difficult to predict its future sales and results of operation

The Enlarged Group has limited historical financial data from which to predict its future sales and operating results. The Enlarged Group's limited operating experience limits the Enlarged Group's ability to forecast quarterly or annual sales accurately. Most of the Enlarged Group's expenses are fixed in the short term or incurred in advance of expected sales and as a result the Enlarged Group may not be able to reduce its expenses in time to offset any shortfall in sales. The Enlarged Group is currently seeking to recruit additional employees and plans to increase expenditures to support future growth. If growth in the Enlarged Group's sales does not materialise because of ineffective marketing, a lack of consumer awareness in the personal security devices or future products of the Enlarged Group or for any other reason, there could be a material adverse effect on the Enlarged Group's business, financial condition or results of operation.

Research and development costs may be significant and might not lead to commercial opportunities

The long term future success of the Enlarged Group will depend on its ability to continually research, develop and improve products on a timely basis and increase the efficiency of its outsourced production processes in order to meet the changing requirements of its customers, remain competitive and preserve its margins. No assurance can be given that the Enlarged Group will succeed in developing and launching new or improved products on a timely basis or at all, that the new products once launched will meet with substantial acceptance in their respective markets, or if accepted, that such acceptance will be sustained for a considerable period of time.

Moreover, the Enlarged Group will expend funds on an ongoing basis towards the further development of its existing technologies and products, as well as the development of new equipment and products. If the Enlarged Group's research and development efforts fail to result in tangible technological improvement, or if such improvements are achieved at uneconomical cost, it could have a material adverse effect on the Enlarged Group's business, financial condition and results of operation.

While potential customers are evaluating the Enlarged Group's products and before they place an order with the Enlarged Group, the Enlarged Group may incur sales and marketing expenses and expend significant management and engineering resources before it has any assurance of the success of a particular product. If a future product of the Enlarged Group fails to meet its sales targets, the Enlarged Group may incur losses as a result of investing its resources in developing the product unsuccessfully.

Exposure to operational risks may exceed insurance provisions and affect reputation

Notwithstanding the fact that Ila currently outsources (and following Admission will continue to outsource) all manufacturing, the Enlarged Group is and will remain subject to a range of operational risks inherent to manufacturing, including technical failures, disruptions in electricity supply, raw material supply issues, labour disputes, industrial accidents, fire, explosions, natural disasters and sabotage, among others, to the extent that the manufacturer to whom production has been outsourced suffers the same. Operational failures arising as a result of any of these factors could result in serious disruption to the Enlarged Group's business activities, could delay production and/or the Enlarged Group's ability to deliver its products on time, at the required quality levels, or cost-effectively, result in increased regulatory scrutiny or expose it to litigation, any of which could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation. The Enlarged Group's insurance coverage may not be adequate to cover its losses in the event that any of these events occur. In addition, well-publicised actual or perceived problems with the Enlarged Group or its products could adversely affect market perception of the Enlarged Group's products, impair its customer relationships, result in higher insurance premiums or affect its ability to obtain adequate insurance at a reasonable price.

Developing the Enlarged Group's products will result in the Enlarged Group incurring expenses before it earns associated turnover which could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation and the Enlarged Group may not ultimately achieve its forecast sales for the products it is developing

The design cycles and volume production of the Enlarged Group's future products could take several months to complete, if at all. The design cycles can be made more lengthy if any approvals for the

products are necessary which could be both time consuming and costly and the development and commercial introduction of products incorporating new technology may be subject to delays.

The design cycles of the Enlarged Group's products also make forecasting the volume and timing of orders difficult. Industry practice allows customers to reschedule or cancel orders on relatively short notice and, as a result, backlog is not always a good indicator of future sales. Customer cancellations or product changes could result in the loss of anticipated sales without allowing the Enlarged Group sufficient time to reduce its inventory and operating expenses.

Each of these factors could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation.

The Enlarged Group will have limited resources

The Enlarged Group will have limited resources compared with a large personal security or electrical equipment company. If such a company wanted to develop products similar to the Enlarged Group's product lines, they would have more available resources for marketing and developing their products and would have access to wider distribution platforms. If such a global company were to successfully enter this market and prove to be a strong competitor to the Enlarged Group, the Enlarged Group's profit margins could be exposed to such competition, which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operation.

No assurance of market acceptance

Whilst the Existing Directors and the Proposed Directors believe there is a viable market for Ila's products, there can be no assurance that such products will prove to be an attractive alternative to other competing products. The Enlarged Group's success depends on the acceptance of its products by potential customers and there can be no guarantee that this acceptance will be forthcoming. The development of a mass market for these products is affected by many factors, some of which are beyond its control, including the emergence of newer, more competitive technologies and products, customer perceptions of its products and customer reluctance to buy a new product. Notwithstanding the merits or effectiveness of a product developed by the Enlarged Group, there can be no assurance that such products will be adopted by significant numbers of customers or adopted at all. Market opportunities targeted by the Enlarged Group may change in terms of potential value over time as new products are introduced or more widely adopted. Market acceptance of the Enlarged Group's products may depend on their superiority over existing products. The failure of the Enlarged Group's products to achieve such acceptance would prevent it from generating meaningful product revenues. Any of these factors could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

If a mass market fails to develop or develops more slowly than expected, the Enlarged Group may be unable to recover the costs it will have incurred in the development of its products and may never achieve profitability. In addition, the Directors cannot guarantee that the Enlarged Group will continue to develop, manufacture or market its products or components if market conditions do not support the continuation of the product or component.

Dependence upon suppliers

Ila's products are currently manufactured in China by a third party. Ila is currently dependent upon Locca's relationship with the manufacturer. If this relationship were to deteriorate or end and Ila were unable to find a replacement sub-contractor to manufacture and package its products on the same or similar terms, it could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation.

Although the Enlarged Group expects that its devices will be manufactured, assembled, tested and packaged as they are currently for the foreseeable future, there is no guarantee that its suppliers will continue to devote adequate resources to the production of the Enlarged Group's devices. This dependence on a sole source of production subjects the Enlarged Group to risks associated with an interruption in supply.

Management of future growth

The Enlarged Group's growth plans will place additional demand on its management, customer support, marketing, administrative and design resources. If the Enlarged Group is unable to manage its growth effectively, its business, operations or financial condition may deteriorate. The Enlarged

Group will consider future acquisition opportunities. If the Enlarged Group is unable successfully to integrate an acquired company or business, the acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Enlarged Group's expectations, the Enlarged Group may have to decrease the value afforded to the acquired business or realign the Enlarged Group's structure.

Product defects could adversely affect Ila's relationship with its customers or result in product liability claims

The products manufactured and marketed by Ila may contain hidden defects. Despite Ila seeking quality assurance warranties from the manufacturer of its products, if defects are found in these products or if Ila sells or develops products which cause injury or are otherwise found unsuitable, the Enlarged Group may face product liability claims from its customers or their ultimate customers, and incur costs associated with the remediation of defects, or experience loss or delays in revenues, loss of customers, failure to achieve market acceptance or loss of market share. Any such events could have a material adverse effect the Enlarged Group's business, financial condition or results of operation.

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

Little historic trading information exists in respect of Ila. As a consequence, the Enlarged Group's future revenue is difficult to forecast. As a result of Ila'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 Enlarged Group's results may fluctuate from period to period as a result of a variety of factors and the Enlarged Group may not achieve profitability. If the Enlarged Group does not achieve profitability it may need to seek funding from other sources, including raising further capital through share issues. There is no guarantee that any such issue would be successful.

General Economic Conditions

Market conditions may affect the ultimate value of the Company's and, after Completion, the Enlarged Group's share price regardless of operating performance. The Enlarged Group could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy. Market perception of personal security companies may change which could impact on the value of investors' holdings and impact on the ability of the Enlarged Group to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing.

Insurance Risk

The Enlarged Group proposes to take out adequate indemnity insurance as required. The insurance cover to be obtained also indemnifies the insurable interests of the various parties and will include loss of profits insurance. However, the insurance coverage may prove inadequate to satisfy potential claims and losses. Further, the Enlarged Group may become subject to liabilities that cannot be insured against or against which it may elect not to be so insured because of high premium costs.

The Company will not have a finance director following the Acquisition

As described in Part I of this document, Rodger Sargent, the Chief Financial Officer, will retire from the Baylon Board upon Completion of the Acquisition. Whilst the Company intends to appoint a new finance director to the Baylon Board in due course (conditionally upon the identification of a suitable candidate) and Rodger Sargent will remain an employee of the Company and continue to act as financial controller, the Company will, until the time of such appointment, not have a finance director or equivalent at the board level. This matter could have a potential negative impact upon the Enlarged Group.

Key Personnel

The Enlarged Group's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Enlarged Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and senior management. Whilst the Company has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services

cannot be guaranteed. Accordingly, the loss of one or more key personnel could have a materially adverse effect on the Enlarged Group.

If the Australian Dollar weakens against Sterling the Company may be required to issue more Contingent Consideration Shares under the Acquisition Agreement than it currently expects

Under the Acquisition Agreement, the issue by the Company of Contingent Consideration Shares is linked to the value in Sterling of certain tax rebates that may be received by the Company or any of its subsidiaries from the Australian tax authorities. For the purposes of calculating the consideration under the Acquisition Agreement the exchange rate was assumed to be 1.8 Australian Dollars to the Pound. Any tax rebates received from the Australian authorities will be denominated in Australian Dollars rather than Sterling. The Company is therefore exposed to any movements in the exchange rate between Sterling and the Australian Dollar between the date of the Acquisition Agreement and the date of the receipt of any such tax rebates. If the Australian Dollar weakens against Sterling then the Company will be required to issue more Contingent Consideration Shares for a given level of tax rebate than if the exchange rate remained at 1.8 Australian Dollars to the Pound. Similarly, if the Australian Dollar strengthens against Sterling then the Company would be required to issue fewer Contingent Consideration Shares for the same level of tax rebate. The maximum number of Contingent Consideration Shares that the Company could be required to allot under the Acquisition Agreement is 374,708,233. There is no guarantee as to the level of tax rebate that may be received by the Company, or if any tax rebate will be received at all.

Ila has granted options under the Ila EMI Scheme at an undervalue. This may expose the Enlarged Group to a liability to pay employer's national insurance contributions on the exercise of the Rollover Options

The exercise price of the options granted under the Ila EMI Scheme is 5p per share. Ila has agreed with HMRC that the market value of an Ila share at the date of grant was 15p. The Rollover Options to be granted by the Company on Completion will therefore also be deemed by HMRC to have been granted at below market price. On the exercise of the Rollover Options income tax and employee's and employer's national insurance contributions are likely to be payable based on the difference between the exercise price and the market value of an Ila share at the time of grant. Whilst the Company has obtained limited contractual protection against any such liabilities in the Acquisition Agreement and in the relevant option agreements, if the Company was unable to recover any sums due under these arrangements it would be left with a liability in respect of such employer's national insurance contributions.

The Existing Directors and Proposed Directors may be subject to conflicts of interest

Given the various interests of certain Existing Directors and Proposed Directors as described in paragraph 8 of Part II of this document, it is possible that circumstances might arise whereby such persons might find themselves in a position of conflict between their duties to and interests in Locca and the duties which they owe to the Enlarged Group, which might have an adverse effect on their ability to perform the roles envisaged in relation to the Company and may thus affect the performance of the Company. Although the Existing Directors and Proposed Directors have considered the risk of any such issues arising, there can be no certainty that no such issues will arise.

Generally, it is possible that conflicts may arise as a result of individual Directors' outside interests, although the role of the Directors will be to resolve such conflicts with a view to minimising any impact upon the Company. In particular, in proceedings of the Directors, no Director who has a material interest in such proceedings arising out of his outside interests or otherwise will be allowed to vote on any related resolution.

Exchange rate risk

The Enlarged Group will transact in currencies other than pounds Sterling. Following Completion, the Enlarged Group's performance will therefore be subject to exchange rate fluctuations with respect to the currencies employed.

The Enlarged Group may be unable to adequately protect its intellectual property

The commercial success of the Enlarged Group depends in part on the extent to which it can ensure that competitors do not copy its products. None of Ila's products are currently protected by any intellectual property (other than a registered trade mark for 'Ila Dusk') and following Completion the Enlarged Group may not be able to prevent competitors from copying its products.

No assurance can be given that the Enlarged Group will develop future products that are patentable or that any aspects of its products will be patentable. Even if the Enlarged Group were to design a patentable product and obtain patent protection, substantial costs will be incurred if the Enlarged Group is required to defend its intellectual property against third parties.

There is also a risk that the obligations to maintain the Enlarged Group's trade secrets or know-how will be breached or otherwise become known in a manner which provides the Enlarged Group with no practical recourse.

Patents granted to the Enlarged Group or its licensors may be challenged, invalidated or circumvented, or the rights granted thereunder may provide competitive advantages to the Enlarged Group.

If the Enlarged Group cannot adequately protect its intellectual property, its business, financial position and results of operation could be adversely effected.

The Enlarged Group's commercial success is largely dependant upon the successful development of its brand. Due to the fact that Ila has to date outsourced design, manufacture and brand development to third parties there is a risk that such third parties may claim an interest in any intellectual property developed as a result of Ila's relationship with them.

The Enlarged Group may infringe third party intellectual property

The Enlarged Group's future success also depends on the non-infringement of patents and other intellectual property rights owned by third parties. Competitors or potential competitors may have filed applications, or may have been granted or may obtain patents that may relate to products that compete with those of the Enlarged Group. If this is the case, the Enlarged Group may have to obtain appropriate licences under these rights or cease and/or alter activities and processes, or develop or obtain alternative technology. There can be no assurance that, if any licences are required, the Enlarged Group will be able to obtain any such licences on commercially favourable terms, if at all. The Enlarged Group may have to engage in litigation to defend itself against infringement claims. Intellectual Property litigation is inherently expensive and time consuming. Even where the outcome of litigation is favourable to the Enlarged Group, litigation can result in the diversion of substantial resources and expenditure from the Enlarged Group's activities.

If the Enlarged Group has to defend itself against an infringement of a third parties intellectual property, this could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation.

Reliance on key customers

Ila currently derives a substantial portion of its revenues from a relatively small number of direct customers. In particular, for the 15 months to 30 September 2009, 85 per cent. of total sales were to a single customer. If Ila or, following Completion, the Enlarged Group, were to lose one or more of its key customers, if demand from any of these key customers were to decline, or if the Enlarged Group is unable to establish business relationships with new customers, this could have a material adverse effect on the Enlarged Group's business, financial condition or results of operation.

Ila's reliance on such customers is typically on the basis of retailers' standard terms and conditions and purchase orders placed by the customers and accepted by Ila. Such contracts, therefore, are for a batch of product and once the product is supplied and paid for, the contract is completed. As is typical in the retail sector there is no long term contract in place between the supplier (in this case Ila) and the retailer which makes it difficult to predict future sales.

Legal risk

The possibility exists that new legislation or regulations in any relevant jurisdiction may be adopted in the future that may materially adversely affect the Enlarged Group's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Enlarged Group or its customers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Enlarged Group.

Forward-looking statements

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Enlarged Group's plans, goals and prospects. The

Enlarged Group's actual results and operations could differ materially from those anticipated in such forward looking statements as a result of many factors including the risks faced by the Enlarged Group which are described below and elsewhere in this document. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual results will not differ materially from those described in this document.

Risks relating to the Acquisition Agreement

It is possible that the Company will become liable for a claim under the warranties given by the Company under the Acquisition Agreement. Such claim may be satisfied by the issue of further Shares to the Vendors resulting in the further dilution of Existing Shareholders. Alternatively, such a claim may be satisfied by the payment of cash to the Vendors, which would reduce the cash resources available to the Enlarged Group.

Additional risks if the Acquisition is not completed

If the Acquisition is not completed the Company would remain without an operating business and would therefore continue to be, for the purposes of the AIM Rules, an investing company. Additional risks that could affect the Company in such a situation are set out below.

Difficulty of identifying and securing suitable investments

The activity of identifying and securing attractive investments may from time to time be highly competitive and involve a high degree of uncertainty. The Company will be competing for investments with other investment vehicles as well as individuals, financial institutions and other institutional investors.

If the Company does not make an acquisition or acquisitions that constitute a reverse takeover, or otherwise implement its investing policy to the satisfaction of the AIM Regulation team of the London Stock Exchange, within 12 months of 22 January 2010 it is likely that the Shares would be suspended from trading on AIM. If the Shares were suspended from trading for six months it is likely that their admission to trading would be cancelled.

Liquidity of the Shares

The Company will have substantially fewer Shares in issue if the Acquisition does not complete than it would if the Acquisition was completed. Failure to complete the Acquisition may therefore negatively affect the liquidity of the Shares on AIM. A holding of Shares may therefore be difficult to realise. Consequently, Shareholders should view their holding of Shares as a long-term investment and unsuitable unless they are certain they will not have to liquidate their investment for an indefinite period of time.

Part IV

Information on Baylon incorporated by reference

In accordance with Rule 28 of the AIM Rules, this document does not contain historical financial information on Baylon which would otherwise be required under Section 20 of Annex I of the AIM Rules.

Information relating to the Company which would otherwise be required to be included in this document in compliance with Rule 24.2 (a) of the City Code, is outlined below and incorporated by reference. This information is available on the Company's website, www.molectragroup.co.uk. In particular, information required by Rule 24.2 (a) (i), (ii), (iii) and (vii) is included in the Company's 2008 Full Year results, which are available at:

http://www.molectragroup.co.uk/downloads/news-and-events/December_31st_2008_Full_Year_results.pdf

and for information required by 24.2 (a) (v), at:

http://www.molectragroup.co.uk/downloads/news-and-events/MOLE_June_09_interims_ann.doc

Historical financial information on the Company for the years ended 31 December 2007 and 31 December 2006 is included in the full year results of the Greenhouse Fund Limited (one of the Company's previous names) for the year ended 31 December 2007, which included comparative historical financial information for the year ended 31 December 2006 and can be found at:

http://www.molectragroup.co.uk/downloads/news-and-events/Greenhouse_Fund_FY_Results_2007.pdf

<i>Rule</i>	<i>Reference in City Code Rules</i>	<i>Location by Reference</i>	
24.2 (a) (i)	Financial information for the last 3 years	Turnover	Pg 16 2008 Full Year Results Pg 16 2007 Full Year Results
		Net profit/loss before tax	Pg 16 2008 Full Year Results Pg 16 2007 Full Year Results
		Tax Charge	Page 16 and Note 5, Page 21 of 2008 Full Year Results and Note 13, Page 25 of 2007 Full Year Results
		Net profit/loss after tax	Pg 16 2008 Full Year Results Pg 16 2007 Full Year Results
		Extraordinary items	Page 16 and Note 4, Page 21 of 2008 Full Year Results and Note 3, Page 20 of 2007 Full Year Results
		Minority interests	Pg 16 2008 Full Year Results Pg 16 2007 Full Year Results
		Amount absorbed by dividends	Page 6 2008 Full Year Results Page 4 2007 Full Year Results
		Earnings per share	Pg 16 2008 Full Year Results Pg 16 2007 Full Year Results
		Dividends per share	Page 6 2008 Full Year Results Page 4 2007 Full Year Results
24.2 (a) (ii)	Statement of assets and liabilities in last published audited accounts	Pg 17 2008 Full Year Results Pg 17 2007 Full Year Results	
24.2 (a) (iii)	Cash flow statement from last published audited accounts	Pg 18 2008 Full Year Results Pg 18 2007 Full Year Results	
24.2 (a) (v)	Details of (i) above if interim statement or preliminary announcement since last published audited accounts	Page 4-6 of 2009 Interim Results	
24.2 (a) (vii)	Significant accounting policies and major notes to accounts	Page 10-15 and Page 20-32 of 2008 Full Year Results and Page 9-15 and Page 20-32 of 2007 Full Year Results	

Shareholders or other recipients of this document may request a copy of the above information incorporated by reference from the Secretary of Baylon, whose name and address is set out on page 4 of this document.

A hard copy of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

Part V

Historical Financial Information on Ila

Section A: Independent Accountant's Report on the Historical Financial Information of Ila

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

The Existing Directors and Proposed Directors
Baylon Holdings Limited
PO Box 264, Union House
Union Street
St Helier
Jersey
JE2 8TQ

15 February 2010

Dear Sirs

Ila Security Limited

We report on the historical financial information on Ila S'ecurity Limited set out in Part V Section B on pages 28 to 39 (the "Historical Financial Information"). The Historical Financial Information has been prepared for inclusion in the AIM Admission Document dated 15 February 2010 of Baylon Holdings Limited (the "Admission Document") on the basis of the accounting policies set out in note 2 to the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

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

As described in note 2 to the Historical Financial Information, the Directors and Proposed Directors of Baylon Holdings Limited are responsible for preparing the Historical Financial Information on Ila Security Limited on the basis of preparation set out in note 2 to the Historical Financial Information and in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union ("EU").

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

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical 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 Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document dated 15 February 2010, a true and fair view of the state of affairs of Ila Security Limited as at the date stated and of its loss, cash flows and changes in equity for the period then ended in accordance with IFRS as adopted for use in the EU as described in note 2.

Declaration

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

Yours faithfully

GRANT THORNTON UK LLP

Section B: Historical Financial Information on Ila

The historical financial information on Ila for the financial period from 2 July 2008 to 30 September 2009 set out in this Section B of Part V has been prepared solely for the purpose of this document and does not constitute audited statutory accounts within the meaning of the Act.

Ila has been in operation since July 2008, and has, to date, not filed any statutory accounts, accordingly financial information in this Section B of Part V of this document has been prepared for the period from 2 July 2008 to 30 September 2009 and does not include any comparative historical information.

Income Statement for the financial period from 2 July 2008 to 30 September 2009

	<i>Notes</i>	<i>2009</i> £
Revenue	3	450,855
Cost of sales		<u>(301,208)</u>
GROSS PROFIT		149,647
Administrative expenses		<u>(209,144)</u>
LOSS BEFORE TAX	4	(59,497)
Income tax income	7	<u>12,329</u>
LOSS FOR THE PERIOD		<u><u>(47,168)</u></u>

All of the activities of Ila are classed as continuing.

Ila has no recognised gains or losses other than the results for the period as set out above.

Statement of Changes in Equity for the financial period from 2 July 2008 to 30 September 2009

		<i>Issued capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total equity</i>
		£	£	£	£
Loss for the period		—	—	(47,168)	(47,168)
Total recognised expense for the period		—	—	(47,168)	(47,168)
Issue of share capital	15	1,189	—	—	1,189
Other movements (share premium)	15	—	273,823	—	273,823
Balance at 30 September 2009		<u>1,189</u>	<u>273,823</u>	<u>(47,168)</u>	<u>227,844</u>

Balance Sheet as at 30 September 2009

	<i>Notes</i>	<i>2009</i> £
ASSETS		
NON CURRENT ASSETS		
Deferred tax assets	8	12,329
CURRENT ASSETS		
Trade and other receivables	13	81,171
Cash and cash equivalents	14	369,992
		<u>451,163</u>
TOTAL ASSETS		<u><u>463,492</u></u>
EQUITY		
ISSUED CAPITAL AND RESERVES		
Issued share capital	15	1,189
Share premium		273,823
Retained earnings		(47,168)
		<u>227,844</u>
TOTAL EQUITY		227,844
NON CURRENT LIABILITIES		
Interest bearing borrowings	16	121,301
CURRENT LIABILITIES		
Trade and other payables	17	83,348
Interest bearing borrowings	16	30,999
		<u>114,347</u>
TOTAL EQUITY AND LIABILITIES		<u><u>463,492</u></u>

Cash Flow Statement for the financial period from 2 July 2008 to 30 September 2009

	2009
	£
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss after tax	(47,168)
NON-CASH ADJUSTMENTS	
(Increase)/decrease in deferred tax assets	(12,329)
INCREASE IN WORKING CAPITAL	
Increase in trade and other receivables	(55,171)
Increase in trade and other payables	33,280
Increase in accruals	50,068
Net cash from operating activities	<u>(31,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Gross proceeds from issue of equity share capital	249,012
Gross proceeds from bank loans	152,300
Net cash from financing activities	<u>401,312</u>
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER 2009	<u><u>369,992</u></u>

Notes to the Historical Financial Information for the financial period from 2 July 2008 to 30 September 2009

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Ila was incorporated on 2 July 2008 and commenced trading on this date. Its principal activity is the design and sale of personal security products to retailers. In the period to 30 September 2009 Ila offered a single product, the *Dusk*. Five further products are under development and are at an advanced stage.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The historical financial information has been prepared under the historic cost convention. The measurement bases and principal accounting policies of Ila are set out below.

The historical financial information is presented in Pounds Sterling (£) because that is the presentational currency of Ila. Pounds Sterling is also the functional currency of Ila.

The historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union (“EU”). The historical financial information represents Ila’s first accounting period. There is no comparative historical financial information.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective, and in some cases have not yet been adopted by the EU:

- IFRS 8 Operating Segments
- IFRS 9 Financial Instruments
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2
- IFRS 3 Business Combinations (Revised 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters
- Amendment to IAS 32 Classification of Rights Issues
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Existing Directors and Proposed Directors are responsible for the historical financial information of Ila and the content of the AIM admission document in which it is included.

Going concern

Ila’s activities are funded by a combination of long term equity capital and term loans. The day to day operations are funded by cash generated from trading.

The Board has reviewed Ila’s profit and cash flow projections and are of the opinion that Ila will meet its obligations as they fall due with the use of existing facilities.

The historical financial information does not reflect the adjustments that would be necessary were the trading performance of Ila to deteriorate significantly.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Ila and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest expense recognition

Interest is charged to the income statement on an accruals basis using the effective interest method and is added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Ila's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the Balance Sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than as a business combination) or other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, provided they are enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxed levied by the same taxation authority and Ila intends to settle its current tax assets and liabilities on a net basis.

Capital management

Capital is made up of share capital, share premium, retained earnings and non-current borrowings. The objective of Ila's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

Ila manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, Ila may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 30 September 2009.

Trade and other receivables

Trade and other receivables are recognised by Ila and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. Trade and other receivables are classified as loans and receivables.

Provision against trade receivables is made where there is objective evidence that Ila will not be able to collect all amounts due. Bad debts are written off when they are identified as being bad.

Other receivables are recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of Ila's cash management are included as a component of cash and cash equivalents for the purposes of the Cash flow statement.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Critical accounting judgements

The preparation of financial statements under IFRS requires Ila to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Recognition of deferred tax asset

Ila's management bases its assessment of the profitability of future taxable income on Ila's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is recognised in full.

3. SEGMENT ANALYSIS

As Ila operates in one business segment, no additional business segment information is required to be provided. Ila's primary segment is geographical and secondary segment is business. The segmental results by geographical area are shown below:

Revenue

	2009
	£
United Kingdom	429,966
EU	20,889
	<hr/>
	450,855
	<hr/> <hr/>

4. OPERATING LOSS

Operating loss is stated after charging the following:

	2009
	£
Auditor's remuneration – audit services	8,500
	<u>8,500</u>
	2009
	£
Included in cost of sales:	
Raw materials and consumables used	301,208
	<u>301,208</u>
Included in administrative expenses:	
Employee benefits expense	28,234
	<u>28,234</u>

5. EMPLOYEE EXPENSES

	2009
	£
Wages and salaries	25,400
Social security costs	2,834
	<u>28,234</u>
	<u>28,234</u>

The average monthly number of employees during the period (including Directors):

	2009
	No.
Number of management staff	2
Key management personnel are the two directors.	

6. DIRECTORS' REMUNERATION

	2009
	£
Remuneration	27,834
	<u>27,834</u>

No directors are receiving post-employment benefits.

7. INCOME TAX

Components of income tax expense

	2009
	£
Current income tax expense	
Current income tax charge	—
Deferred income tax expense	
Relating to origination and reversal of temporary differences	(12,329)
	<u>(12,329)</u>

Major component of tax expense

	2009
	£
Loss on ordinary activities before taxation	59,497
Deferred tax at the domestic rate of 21%	12,494
Tax effect of expenses not deductible for tax purposes	(165)
Deferred income tax expense	<u>(12,329)</u>

8. DEFERRED TAX

	<i>Balance Sheet 2009 £</i>	<i>Income statement 2009 £</i>
Deferred tax assets		
Relating to tax losses	12,329	12,329
	<u>12,329</u>	<u>12,329</u>

All deferred tax assets (including tax losses and other tax credits) have been recognised in the balance sheet.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

Ila trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to doubtful debts is minimised.

Liquidity risk

Ila has given responsibility of liquidity risk management to the board who have formulated liquidity management tools to service this requirement.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows.

Interest rate risk

The table below details the sensitivity to possible interest rate changes, presuming all other variables remaining constant, of Ila's loss before tax:

	<i>Increase/ (decrease) in basis points 2009 %</i>	<i>Effect on loss before tax 2009 £</i>
Loan and other receivables	1	(1,500)
	<u>1</u>	<u>(1,500)</u>

Foreign currency risk

The table below details the sensitivity to possible changes in the currency exchange rate, presuming all other variables remaining constant, of Ila's loss before tax:

	<i>Increase/ (decrease) in currency rate %</i>	<i>Effect on Loss before tax £</i>	<i>Effect on equity £</i>
Sales priced in euros – £20,890	(5)	(1,044)	(825)
	<u>(5)</u>	<u>(1,044)</u>	<u>(825)</u>

Capital management

	<i>2009 £</i>
Interest bearing loans and borrowings	152,300
Less: Cash and short term deposits	(369,992)
Net funds	<u>(217,692)</u>
Equity	<u>275,012</u>
Total capital	<u>275,012</u>
Capital and net funds	<u>57,320</u>

10. FINANCIAL INSTRUMENTS

	<i>Carrying amount 2009 £</i>	<i>Fair value 2009 £</i>
Financial assets – loans and receivables		
Cash and cash equivalents	369,992	369,992
Trade and other receivables	81,171	81,171
	<u> </u>	<u> </u>
Financial liabilities at amortised cost		
Trade and other payables	(25,352)	(25,352)
Fixed rate borrowings	(152,300)	(152,300)
	<u> </u>	<u> </u>

11. STATEMENT OF CHANGES IN EQUITY

Equity

Equity comprises the following

- ‘Share capital’ represents the nominal value of equity shares
- ‘Share premium’ represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- ‘Retained earnings’ represents accumulated losses since incorporation

12. RELATED PARTY TRANSACTIONS

Entities with joint control or significant influence over the entity

During the period Ila acquired goods totalling £296,937 for resale from a company that Mr S McGivern and Mr J Philips are directors of. At the period end, £11,963 was due by Ila to this company and is included within trade and other payables.

Ila purchased in the period £2,875 of goods from a company that is controlled by Mr S McGivern and his wife, J McGivern. At the period end this amount was still outstanding. During the period J McGivern provided PR services to Ila to the value of £1,100. These services were paid for in full before the period end.

At the period end Messrs McGivern and Philips each owed £168 for unpaid share capital. These sums are included in trade and other receivables.

During the period Ila purchased services from Zag Limited, a shareholder, in the sum of £4,032. At the period end £2,882 of this amount was included in trade and other payables.

Key management compensation

	<i>2009</i>
	<i>£</i>
Wages and salaries	25,000
Social security costs	2,834
	<u> </u>
	<u>27,834</u>

13. TRADE AND OTHER RECEIVABLES

	2009
	£
Receivable from trade customers	55,171
Called up share capital not paid	26,000
	<u>81,171</u>

Amounts receivable from trade customers are non-interest bearing and are generally on 30 – 90 day terms.

All amounts are due within one year. The carrying value of trade receivables is considered a reasonable approximation of fair value.

14. CASH AND CASH EQUIVALENTS

	2009
	£
Cash on hand	369,992

For the purposes of the Cash flow statement, cash and cash equivalents comprise the following at 30 September 2009.

	2009
	£
Cash on hand	369,992

15. SHARE CAPITAL

Allotted and called up:

	<i>No</i>	£
Ordinary shares of £0.0001 each	<u>11,885,710</u>	<u>1,189</u>

During the period, 100,000 Ordinary shares of £0.01 each, with an aggregate nominal value of £1,000 were allotted and issued at par and were unpaid at the end of the period. A further 2,564 Ordinary shares of £0.01 each were allotted and issued at a premium of £49,974. The shares were then split into nominal value of £0.0001 increasing the shares in issue to 10,256,400.

Following the share split two further share issues took place. The first was for 1,462,643 Ordinary shares of £0.0001 which were allotted, issued and fully paid for a premium of £198,866. The second issue was for 166,667 Ordinary shares of £0.0001 which were allotted and issued, but not paid, at a premium of £24,983.

The unpaid share capital and share premium which amount to £26,000 are included in trade and other receivables. At the period end unpaid share capital included £335 due from the directors.

16. FINANCIAL LIABILITIES

	2009
	£
Non-current	
Bank loans	<u>121,301</u>
Current	
Bank loans	<u>30,999</u>

Bank loans

The bank loan is due for repayment in September 2013. The bank loan is secured by a fixed charge over all assets held within Ila both present and future. The interest rate of the loan is 6.1% over the base rate and £2,300 of transaction costs have been included in the loan balance.

17. TRADE AND OTHER PAYABLES

	2009
	£
Payable to trade suppliers	22,477
Accrued liabilities	50,068
Tax payable	7,928
Payable to related parties	2,875
	<hr/>
	83,348
	<hr/> <hr/>

All amounts are payable within one year. The fair values of trade and other payables are not materially different from those disclosed above.

18. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party of Ila.

The directors of the company each own 1,677,000 £0.0001 Ordinary shares.

19. EVENTS AFTER THE REPORTING PERIOD

On 8 October 2009, Mr J Philips and Mr S McGivern were each granted options under the EMI scheme to purchase 330,000 Ordinary shares at an exercise price of £0.05 vesting 31 March 2010.

On the same date, Mr N Christie was granted options under the EMI scheme to purchase 185,978 Ordinary shares at an exercise price of £0.05 vesting 31 March 2010.

20. LEASE COMMITMENTS

Ila is negotiating to enter into a lease on an office property in Battersea, London for a term of five years commencing on 25 September 2009 at an annual rent of £15,750 and first year service charge of £6,395. There is a mutual break clause after three years at which time the landlord has the option of a rent review. Service charges increase annually by the index of retail prices.

Part VI

Unaudited Pro Forma Financial Information

Set out below is an unaudited *pro forma* statement of net assets based on the consolidated net assets of Baylon as at 30 June 2009 and the net assets of Ila as at 30 September 2009, together with other adjustments as described in the notes below. This unaudited *pro forma* statement of net assets is provided for illustrative purposes only to show the effect on Baylon of the Acquisition as if it had occurred on 30 September 2009.

Because of the nature of *pro forma* information, this information addresses a hypothetical situation and does not therefore represent the actual financial position or results of the Enlarged Group.

The Enlarged Group will adopt Ila's accounting policies.

	<i>Baylon</i> 30 June 2009 £'000 (Note 1)	<i>Ila</i> 30 September 2009 £'000 (Note 2)	<i>Adjustments</i> £'000 (Note 3)	<i>Adjustments</i> £'000 (Note 4)	<i>Enlarged Group Pro forma net assets</i> £'000 (Note 5)	<i>Enlarged Group Pro forma net assets</i> £'000
Assets						
Non-current						
Intangibles	1,401	—	(390)	(1,011)	—	—
Tangibles	756	—	(756)	—	—	—
Deferred tax assets	—	12	—	—	—	12
Current						
Trade and other receivables	34	81	(24)	—	—	91
Cash and cash equivalents	1,685	370	(407)	—	(225)	1,423
Total assets	3,876	463	(1,577)	(1,011)	(225)	1,526
Liabilities						
Non-current						
Interest bearing borrowings	—	(121)	—	—	—	(121)
Deferred tax	(117)	—	117	—	—	—
Current						
Trade and other payables	(316)	(83)	119	—	—	(280)
Interest bearing borrowings	—	(31)	—	—	—	(31)
Total liabilities	(433)	(235)	236	—	—	(432)
Net Assets	3,443	228	(1,341)	(1,011)	(225)	1,094

Notes:

- The financial information in respect of Baylon as at 30 June 2009 has been extracted, without material adjustment, from the unaudited interim financial statements of Baylon as at 30 June 2009, as previously announced.
- The financial information in respect of Ila as at 30 September 2009 has been extracted, without material adjustment, from the historical financial information on Ila as at 30 September 2009 as set out in Section B of Part V of this document.
- An adjustment has been processed to remove the assets and liabilities of Molecra Australia to reflect the disposal of this business and its assets. Although this event occurred after the 30 June 2009 date of the financial information presented in respect of Baylon, the directors of Baylon consider that the disposal is so material that the unaudited *pro forma* consolidated statement of net assets of the Enlarged Group would be misleading if it does not reflect the disposal. Details of the disposal of the business and assets of Molecra Australia were contained in a circular published by Baylon on 23 December 2009. The disposal was subsequently approved in a shareholders' resolution at the Baylon Extraordinary General Meeting held on 13 January 2010 and completed on 22 January 2010.

The consideration for the disposal was the transfer by the purchaser of 26,924,213 shares held in Baylon to the Company by way of a repurchase of the relevant shares. Once repurchased the shares were immediately cancelled.

The financial information in respect of Molecra Australia as at 30 June 2009 has been extracted from the consolidation workings supporting the unaudited interim financial statements of Baylon as at 30 June 2009.

- Linked to adjustment 3, above, a further adjustment has been processed to reflect the write off of the capitalised intellectual property rights held by Baylon's subsidiary Molecra IP Development Limited. These intellectual property rights were held for the use of the business of Molecra Australia and have no realisable value following the disposal of that business.

5. Cash costs associated with the Acquisition and Admission estimated at £225,000 have been deducted for the purpose of arriving at the *pro forma* net assets of the Enlarged Group.
6. The *pro forma* net asset statement has been prepared on the basis that the consideration for the Acquisition will be satisfied entirely by the issue of 763,308,454 shares in Baylon (representing 83.4 per cent. of the Enlarged Share capital), treated as fully paid up, to the shareholders of Ila. As the former shareholders of Ila will control the Enlarged Group, Ila has been treated as the acquirer for accounting purposes.

Following its disposal of the business, assets and liabilities of Molecra Australia, Baylon has divested itself of all of its operations and its ongoing activities are limited to managing its cash balances and filing obligations. Consequently at this point in time Baylon does not meet the definition of a “business” for the purposes of IFRS 3 Business Combinations, and so falls outside the scope of that standard.

The Acquisition has been accounted for under IAS 27 Consolidated and Separate Financial Statements. Any excess of the deemed acquisition cost over the cash balances and other net assets acquired has been expensed to the income statement as a cost of listing or debited to equity as a cost of equity issuance. Such costs do not give rise to an intangible asset (or other type of asset) because listing is a status attaching to the entity’s shares rather than being an asset controlled by the entity itself.

No fair value adjustments have been made to the net assets of Baylon in the *pro forma* statement of net assets.

7. The *pro forma* financial information does not constitute statutory accounts within the meaning of section 435 of the Act.
8. Apart from the matters set out above, no other adjustments have been made to reflect any trading, changes in working capital or other movements in the financial position of Baylon or Ila since 30 June 2009 and 30 September 2009 respectively.

Part VII

Additional Information

1 Responsibility Statement

The Existing Directors and the Proposed Directors, whose names and functions appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Existing Directors and the Proposed 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.

Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU, accepts responsibility for the information in its report set out in Part V Section A of this document. To the best of the knowledge of Grant Thornton UK LLP (having taken all reasonable care to ensure that such is the case) the information contained in its report set out in Part V Section A of this document is in accordance with the facts and contains no omission likely to affect its import.

The members of the Concert Party, whose names and addresses are set out in paragraph 7.6 of this Part VII, accept responsibility for the information about the Concert Party contained in this document. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information about the Concert Party contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Baylon

Baylon was incorporated with limited liability in Jersey under the Companies (Jersey) Law 1991 with registered number 91984 on 13 December 2005 and is presently a holding company governed by, *inter alia*, the provisions of the Law.

Baylon's registered office and its principal place of business is in Jersey and is located at PO Box 264, Union House, Union Street, St. Helier, Jersey JE2 8TQ and its telephone number is +44 (0) 1534 511761.

The accounting period of Baylon ends on 31 December each year.

3 Details of the Acquisition

Details of the Acquisition are set out in paragraph 4 of Part I of this document.

4 Group structure

The Company currently has three subsidiaries, the details of which are as follows:

<i>Name of Subsidiary</i>	<i>Business</i>	<i>Country of incorporation</i>	<i>Percentage held</i>
Molecra IP Development Limited	Intellectual property ownership	Jersey	100
Greenhouse Organic Solutions Limited	Dormant	Jersey	100
Molecra Australia Pty Ltd	Non-trading	Australia (Queensland)	100

The Company will be the holding company of the Enlarged Group on Completion and Ila will become a wholly owned subsidiary of the Company at this time. Ila has no subsidiaries.

5 Share Capital

The Company is a no par value company and is authorised to issue an unlimited number of Shares of no par value.

The liability of Shareholders is limited to the amount payable in respect of the Shares held.

The Company's issued no par value share capital, at the date of this document is, and immediately following the Admission is expected to be, as follows:

<i>At the date of this document Issued and Fully Paid</i>	<i>Following Admission Issued and Fully Paid</i>	<i>Following Admission and the allotment in full of the Contingent Consideration Shares</i>
146,300,787	540,582,827	915,291,060

Other than as set out in paragraph 7.3 of Part VII no person has any rights to purchase the authorised but unissued capital of the Company.

The International Security Identification Number for the Shares is GB00B0T2CP59.

No person has any rights over the capital of any of the Subsidiaries and the Company has not agreed conditionally or unconditionally to grant any option over the capital of any of the Subsidiaries.

6 Memorandum and Articles of Association

6.1 Memorandum of Association

In accordance with the Law, the Memorandum of Association of the Company does not contain an objects clause.

6.2 Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

6.2.1 Annual general meetings

Subject to the provisions of the Law, annual general meetings shall be held at such time and place as the Board may determine. An annual general meeting shall be convened by not less than 14 clear days' notice in writing or on shorter notice if so agreed by all of the members entitled to attend and vote at the meeting.

6.2.2 Extraordinary general meetings

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by Article 89 of the Law. In summary, Article 89 of the Law provides that on a requisition of members of a company who together hold not less than one-tenth of the total voting rights of the members of that company who have the right to vote at the meeting requisitioned, the directors of that company are required forthwith to call a general meeting and, if the directors fail to do so, the requisitionists themselves can call such general meeting. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. An extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 14 clear days' notice in writing and all other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing. An extraordinary general meeting may be held on shorter notice if so agreed by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. of the total voting rights of the members who have that right. If at any time there are not within Jersey sufficient directors capable of acting to form a quorum, or if there are no Directors capable and willing so to act, any two members of the Company, may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.

6.2.3 Meetings generally

In the case of both an annual general meeting and an extraordinary general meeting, the notice must specify whether the meeting is an annual general meeting or an extraordinary general meeting, the place, day and time of the meeting, the general nature of the business (if special business is to be transacted) and the intention to propose a special resolution if that be the case, and with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

The notice must be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company) all persons entitled to a share in consequence of death or bankruptcy of a member, the Board and its auditors. No other person shall be entitled to receive notices of general meetings.

The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place therefore. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

- (a) that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside (the **Principal Place**); and
- (b) make arrangements for simultaneous attendance and participation at other places by members otherwise entitled to attend the general meeting but excluded therefrom under these provisions or who wish to attend at any of such other places, provided that persons attending at the Principal Place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the Principal Place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any such excluded members as aforesaid are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the Principal Place.

The Board may direct that any person wishing to attend any general meeting should provide such evidence of identity and submit to such searches or such other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse admission to any person who fails to provide such evidence of identity or fails to submit to such searches or to otherwise comply with such security arrangements or restrictions. The Board shall be entitled, in their absolute discretion, to eject from that meeting any person who causes the proceedings to be disorderly.

6.2.4 Voting rights

Subject to any special rights or restrictions as to voting attached to shares on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy or (in the case of a corporate member) by a duly authorised representative shall have one vote for every share of which he is the holder. If a member has been duly served by the Company with a notice requiring disclosure of the identity of any other persons interested in his shares under Article 36 of the Articles (as to which, see paragraph (6.2.15) below) and fails to supply the Company with the information thereby required within a period of five days from the date of service of such notice or within such longer period as the Directors may determine, in certain circumstances he may not be entitled to attend or vote at a general meeting either personally or by proxy or by representative or to receive any dividend or to transfer or agree to transfer any shares or any rights therein.

6.2.5 Variation of rights and changes of capital

If at any time the capital of the Company is divided into different classes of shares the special rights attached to any share or class of shares may, subject to the provisions of the, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of two-thirds in number of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings of the holders of any class of shares of the Company shall apply with

the necessary modifications except that the necessary quorum shall be not less than two persons holding or representing by proxy at least one-third in number of the issued shares of that class.

The Company may from time to time by special resolution amend its Memorandum of Association to increase its share capital by such sum to be divided into shares of such amounts and carrying such rights as the resolution may prescribe.

The Company may by special resolution amend its Memorandum of Association to increase or reduce the number of shares that it is authorised to issue, to consolidate all or any of its shares (whether issued or not) into fewer shares or to divide all or any of its shares (whether issued or not) into more shares.

The Company may by special resolution reduce any of its capital accounts. The Company may, subject to the provisions of the Law and to any rights for the time being attached to any shares, purchase any of its own shares (including redeemable shares). Pursuant to Article 57 of the Law, the Company may purchase its own shares if sanctioned by a special resolution of the Company. If the shares are to be purchased on a stock exchange the resolution outlining the purchase must specify the maximum number of shares to be purchased, the maximum and minimum prices which may be paid and a date, not being later than 18 months after the passing of the resolution, on which the authority to purchase is to expire. The shares of a no par value company shall not be capable of being repurchased except out of certain sources, including any stated capital account, out of realised capital and revenue profits less its realised capital and revenue loss, out of its realised revenue profits less its revenue losses, whether realised or unrealised, out of the proceeds of a fresh issue of shares issued for the purpose, or if authorised by special resolution, out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised. The directors are also required to make a solvency statement in these circumstances.

In general, the Board has the power to allot, grant options over, offer or otherwise deal with or dispose of shares (or rights to subscribe for or convert any securities into shares) in the unissued share capital of the Company.

The Board may not exercise the power referred to in the paragraph above in relation to relevant securities unless the Board is authorised to do so by the Company in general meeting by ordinary resolution. Such authority may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions. The authority must state the maximum amount of relevant securities that may be allotted under it and the date on which the authority will expire, which must be not more than 5 years from the date on which the resolution is passed by virtue of which the authority is given, but such authority may be previously revoked or varied by the Company in general meeting by ordinary resolution. The Law does not include an equivalent to section 20 of the Companies (Amendment) Act 1990, and purpose of these provisions of the Articles is to provide similar provisions in favour of members.

Subject to the provisions of the Articles, if the Company proposes to allot equity securities then the Company (i) shall not allot any of them on any terms to a person unless it has made an offer to each member who holds relevant shares or relevant employee shares to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion in nominal amount held by him of the aggregate of relevant shares and relevant employee shares; and (ii) shall not allot any of those securities to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made. These rights in favour of members are called “pre-emption” rights. The Company in general meeting may by special resolution disapply such pre-emption rights, in which case such equity securities may be allotted as if members did not have such pre-emption rights. The Law does not include an equivalent to sections 561 to 577 of the Act 1985 and the purpose of these provisions of the Articles is to provide similar provisions in favour of members (although, under the Companies Act 1985, a special resolution would require a three-fourths majority vote, whereas under Jersey law a special resolution requires a two-thirds majority vote).

Share capital may be returned to shareholders by a reduction of share capital under the Law. This requires, amongst other things, a special resolution and an application to the Royal Court of Jersey. In many circumstances, creditors will be entitled to make an objection to the reduction to the Royal Court of Jersey.

6.2.6 Transfer of shares

Subject to any restrictions contained in the Articles, all transfers of shares shall be effected in writing in any usual or common form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor (and in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members. The Board may decline to recognise any instrument of transfer unless, amongst other things: (a) it is duly stamped (if required) and deposited at the registered office of the Company accompanied by the certificate for the shares and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and (b) the instrument of transfer is in respect of only one class of shares, which are fully paid up and over which the Company has no lien and is in favour of not more than four transferees nor more than four joint transferees. If the Board refuses to register any transfer of shares, they shall send to the transferee notice of such refusal within two months after the date on which the transfer was lodged with the Company. There are no rights of pre-emption on the transfer of ordinary shares contained in the Articles.

6.2.7 Dividends and distributions of assets on a winding up

The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and interests in the profits of the Company. The Company in general meeting may declare dividends accordingly, but no dividend shall exceed the amount recommended by the Board. No dividends shall be payable otherwise than in accordance with the Law out of the profits of the Company available for that purpose. If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator (or, if no liquidator is appointed, the Board) may with the authority of a special resolution and any other sanction required by the Law, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division should be carried out as between the members or different classes of members. There are no fixed dates on which entitlement to dividends arises.

6.2.8 Unclaimed, retention and waiver of dividends

No dividend or other monies payable in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. Any dividends, interest or other sum payable and unclaimed for 12 months after becoming payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 10 years from its due date of payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

The Board may retain the dividends payable upon shares in respect of which any person is entitled to become a member, or is entitled to transfer, until that person shall become a member in respect of those shares or shall transfer them.

The Board may retain any dividends payable on or in respect of a share on which the Company has a lien.

A Shareholder can waive, in whole or in part, of any dividend on any share by any document, only if such document is signed by the holder (or the person entitled to the share in consequence of the death or bankruptcy of the holder), and delivered to the Company and to the extent that the same is accepted as such or acted upon by the Company.

6.2.9 Redeemable shares and share warrants

Subject to the provisions of the Law and Articles, the Company may issue redeemable shares and, with respect to any shares, may issue a warrant stating that the bearer of the warrant is entitled to subscribe for the shares specified in it and may provide for the payment of future dividends on the right to subscribe for shares.

6.2.10 Borrowing powers

Subject to the further provisions of the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and, subject to the provisions of the Law, to create and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

The Company has no specific borrowing limits.

6.2.11 Directors

A director is not required to hold any shares of the Company.

Unless and until otherwise determined by the Company by ordinary resolution, the Board (other than any alternate directors) shall be not less than two but there shall be no maximum. Save as mentioned below, any person on the Board shall not vote on or in respect of any contract or arrangement or any other proposal in which he has any interest which is to his knowledge a material interest otherwise than by virtue of his or her interest in shares, debentures or other securities or rights of, or otherwise in or through, the Company. Directors shall be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting but this shall not apply to a proposal in which he has any interest which is not material.

Any person on the Board shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee 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 any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or in the underwriting or subunderwriting in which he is to participate;
- (d) any proposal relating to any other company in which he (together with persons connected with him within the meaning of section 252 of the Act) does not to his knowledge hold an interest in shares in 1 per cent. or more of any class of the issued equity share capital of such company or the voting rights in such company;
- (e) any proposal concerning the granting of indemnities to directors or other officers of the Company;
- (f) any proposal under which he may benefit concerning the provisions to directors of funds to meet expenditure incurred or to be incurred by them in defending proceedings or otherwise enabling any such person to avoid incurring that expenditure;
- (g) any proposal under which he may benefit relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award to him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

- (h) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of the Board or for the benefit of persons including the Board.

Where proposals are under consideration concerning the appointment (including determining or varying the terms of appointment) of two or more of the directors of the Company to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director separately. In such case, each of the directors concerned shall (if not debarred from voting under the Articles) be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question shall arise at a meeting as to the right of any person on the Board to vote or to the materiality of a director's interest, and such question is not resolved by his voluntary agreement to abstain from voting, the question shall (subject to the Law) be referred to the chairman of the meeting (or, if the director concerned is the Chairman of the meeting, to such other directors present at the meeting) and that ruling shall be final and conclusive.

Any person on the Board (other than alternate directors) shall be entitled to receive by way of fees for their services such sum as the Board may from time to time determine. The directors shall also be entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance by them of their duties as directors including any expenses in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Extra remuneration may be paid out of the funds of the Company by way of salary, commission, participation in profits or otherwise as the Board may determine to any director who, by arrangement with the Board, shall perform or render any special duties or services outside the scope of the ordinary duties of a director and not in his capacity as a holder of employment or executive office.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a director or employee of the Company or any body corporate which is a holding body or a subsidiary undertaking of or allied to or associated with the Company or any such holding body or subsidiary undertaking or any predecessor in business of the Company or of any such holding body or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Law, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the aforesaid matters. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any director or former director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under the Articles and shall not be obliged to account for it to the Company.

6.2.12 Non-United Kingdom shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

6.2.13 CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

In relation to an uncertificated share, the Articles permit appointments of a proxy to be made by means of an uncertificated proxy instruction.

6.2.14 Restrictions on changes in control, mergers, acquisitions or corporate restructuring of the Company.

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change of control in the Company that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

6.2.15 Disclosure of interests

The Law does not contain any provisions equivalent to those contained in section 793 of the Act. Accordingly, in order to make provision for the disclosure of interests, the Articles contain provisions which require members in certain circumstances to disclose interests in shares.

For as long as the Company has shares admitted to trading on AIM, the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) (**DTR 5**) of the FSA are deemed to be incorporated by reference into the Articles (and for such purposes, the Company will be considered to be an “issuer”, as such term is defined in DTR 5). Accordingly, the vote holder and issuer notification rules set out in DTR 5 will in such circumstances apply to the Company and each holder of shares of the Company. The Articles further provide that, without prejudice to the generality and effectiveness of the foregoing, a person must notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (or a combination of such holdings):

- (a) reaches, exceeds or falls below 3 per cent and each 1 per cent. threshold thereafter up to 100 per cent.; or
- (b) reaches, exceeds or falls below an applicable threshold referred to in paragraph (A) above as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company,

and where “shareholder” means any natural person or legal entity governed by private or public law, who holds directly or indirectly:

- (i) shares in the Company in its own name and on its own account; or
- (ii) shares in the Company in its own name, but on behalf of another natural person or legal entity unless such shares are the subject of depository receipts, depository interests or any similar interest (**Depository Receipts**). Where shares are the subject of Depository Receipts, the holder of the Depository Receipts will be considered as the shareholder of the underlying shares represented by the Depository Receipts.

If the Company determines that a holder of shares of the Company (a **Defaulting Holder**) has not complied with the provisions of DTR 5 with respect to some or all of such shares held by such holder (**default shares**), the Company shall have the right by delivery of a notice to the Defaulting Holder in accordance with the provisions of Article 36 of the Articles (see paragraph (iv) below), save that any such notice shall cease to have effect on the date that is not more seven (7) days after the Company has determined that the Defaulting Holder has cured the non-compliance with the provisions of DTR5; provided, however, that the Company may at any time by subsequent written notice cancel or suspend the operation of a direction notice.

Notwithstanding the time limits for disclosure set out in DTR 5, the Company is required by Rule 17 of the AIM Rules for Companies to announce via a Regulatory Information Service (as defined in the AIM Rules for Companies), all the information contained in any vote holder notification “without delay”.

(iv) Article 36 of the Articles provides that the directors have the power by service of written notice to require any member to disclose to the Company the identity of any person other than the member who has any interest in the shares held by the member and the nature of such interest. A member will be required to respond within five (5) days of the date of the notice, or such longer period as the directors may determine. In addition, the Articles provide that the directors may be required to exercise their powers on the requisition of members of the Company holding at the date of deposit of the requisition not less than one-tenth in number of shares of the Company carrying at that date the right to vote at general meetings of the Company. The sanctions applicable if a member is in default of his obligation to respond to a notice requiring disclosure of interests include that the member may not be entitled to exercise voting rights attaching to the shares held by that member, that (depending on the size of his holding) dividends payable on his shares may be withheld and that certain transfers of shares may be prohibited, in each case until such time as the member complies with the obligation to respond to such notice.

7 Interests and dealings

7.1 Definitions

For the purposes of this paragraph 7:

acting in concert has the meaning attributed to it in the City Code;

arrangement includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

associate of any company includes:

- (a) its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (b) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
- (c) its directors and the directors of any company covered in (a) above (together in each case with their close relatives and related trusts);
- (d) its pension funds or the pension funds of a company covered in (a) above;
- (e) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
- (f) its employee benefit trusts, or the employee benefit trust of a company covered in (a) above; and
- (g) a company having a material trading arrangement with the company;

connected adviser has the meaning attributed to it in the City Code;

connected person has the meaning attributed to it in section 252 of the Act;

control means an interest, or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a General Meeting, irrespective of whether such interest or interests give de facto control;

dealing or **dealt** includes the following:

- (a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to securities or of general control of securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
- (c) subscribing or agreeing to subscribe for securities;
- (d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; or

- (f) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

derivative includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

disclosure date means 12 February 2010, being the latest practicable date prior to the posting of this document;

disclosure period means the period commencing on 12 February 2009, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;

exempt fund manager and **exempt principal trader** have the meanings attributed to them in the City Code;

being **interested** in securities (or having an **interest** in such securities) includes where a person:

- (a) owns them;
- (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (d) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

paragraph 1 associate means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);

relevant Ila securities means shares in Ila which carry voting rights (or derivatives referenced thereby and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof);

relevant securities means shares in the Company which carry voting rights (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and

short position means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

7.2 Existing Directors’ and Proposed Directors’ interests (excluding options)

As at the close of business on the disclosure date and as they are expected to be immediately after Completion, the interests in the issued share capital of the Company (excluding options over shares) of the Existing Directors and Proposed Directors and their immediate families, related trusts and persons connected with them were as follows:

<i>Name of Director</i>	<i>Existing Shares currently owned by the Director & his connected persons</i>	<i>Percentage of Capital owned by the Director & his connected persons (%)</i>	<i>Number of Shares Director & his connected persons are expected to hold following Completion+</i>	<i>Percentage of issued Shares following Completion (%)+</i>
Paul Gazzard	3,500,000	2.4	3,500,000	0.4
Rodger Sargent	3,000,000	2.1	7,996,369*	0.9*
Simon McGivern	0	0	104,463,231*	11.4*
James Phillips	0	0	104,463,167*	11.4*
Neil Munn**	0	0	0	0
Adam Arnold	0	0	0	0

+ assuming all of the Contingent Consideration Shares are allotted to the Vendors

* including the Consideration Shares

** Following Completion and assuming that all of the Contingent Consideration Shares are issued, Neil Munn will have, through his 25 per cent. interest in Zag, an indirect economic interest in the Company of 6.7 per cent.

In addition to the 3,000,000 Existing Shares owned by Rodger Sargent, Mr Sargent has an interest in 4,996,369 Consideration Shares (comprising 2,543,651 Initial Consideration Shares and 2,452,718 Contingent Consideration Shares) pursuant to the terms of the Acquisition Agreement. The issue of the Consideration Shares to Mr Sargent is conditional upon Completion occurring and, in the case of the Contingent Consideration Shares, the satisfaction of certain conditions.

As at the close of business on the disclosure date, the Existing Shares set out opposite the name of each relevant Director above were legally and beneficially owned by such Director save to the extent specifically provided.

7.3 Existing Directors' and Proposed Directors' options

As at the close of business on the disclosure date, each of the following Directors had an interest, by way of option contract, in the number of Existing Shares set out opposite his name:

<i>Name of Director</i>	<i>Number of Shares in respect of which options have been granted</i>	<i>Exercise price (for each Share)</i>
Paul Gazzard	4,000,000	1.5p
Rodger Sargent	3,000,000	1.5p

None of the Directors will exercise any of his options prior to Completion (assuming the Resolutions are passed), and the number of Shares under option (and the exercise price for each such share) following Completion will remain the same.

None of the Proposed Directors have any options over Existing Shares.

7.4 Interests of 3 per cent. or more (excluding Existing Directors and Proposed Directors)

Other than the Existing Directors' and Proposed Directors' interests set out above, the Directors are aware of the following interests that are or will be held directly or indirectly in 3 per cent. or more of the issued ordinary share capital of the Company as at the close of business on the disclosure date and as they are expected to be immediately after Completion:

<i>Name of Shareholder</i>	<i>Number of Existing Shares</i>	<i>Percentage of issued existing share capital (%)</i>	<i>Number of shares expected to be held following Completion +</i>	<i>Percentage of issued share capital following completion (%) +</i>
PIHL Equity LLP	17,500,000	12.0	17,500,000	1.9
Molecetra Technologies Pty Ltd	19,569,547	13.4	19,569,547	2.1
Numis Nominees Limited	14,765,659	10.1	14,765,659	1.6
David Gaskell	14,475,000	9.9	14,475,000	1.6
Oakwood Nominees Ltd	12,500,000	8.5	12,500,000	1.4
JM Finn Nomiees Ltd	12,128,100	8.3	12,128,100	1.3
Smith & Williamson Nominees Ltd	9,400,000	6.4	9,400,000	1.0
Chase (GA Group) Nominees Ltd	7,000,000	4.8	7,000,000	0.8
ODL Nominees Ltd	4,715,000	3.2	4,715,000	0.5
Zag	0	0.0	246,178,441	26.9
Yellow Ltd	0	0.0	29,397,019	3.2

+ assuming all of the Contingent Consideration Shares are allotted to the Vendors

Save as disclosed in this document, the Directors are not aware of any person or persons who either alone or, if connected, jointly following Admission, will (directly or indirectly) exercise or could exercise control over the Company.

The Company's shareholders listed in paragraph 7.2 and this paragraph 7.4 do not have different voting rights to other holders of Shares.

Apart from the Acquisition, the Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

7.5 Dealing by Existing Directors and Proposed Directors

No member of the Concert Party, Existing Director or Proposed Director dealt in Shares during the disclosure period.

7.6 Concert Party interests

As at the close of business on the disclosure date and as they are expected to be immediately after Admission, the interests in the share capital of the Company of the members of the Concert Party and their immediate families, related trusts and persons connected with them were as set out below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Concert Party Member</i>	<i>Existing Shares owned by Concert Party member & connected persons</i>	<i>Percentage of issued existing share capital owned by the Concert Party Member & connected persons (%)</i>	<i>Consideration Shares to be acquired following Completion</i>	<i>Number of Shares Concert Party and connected persons are expected to hold following Completion +</i>	<i>Percentage of share capital to be held following Completion +</i>	<i>Rollover Options held following Completion + * Options (%) + *</i>	<i>Percentage of share capital to be held following Completion and assuming exercise of Rollover Options (%) + *</i>
Simon McGivern	0	0	104,463,231	104,463,231	11.4	21,192,826	13.2
James Phillips	0	0	104,463,167	104,463,167	11.4	21,192,826	13.2
Brian McGivern	0	0	10,288,154	10,288,154	1.1	0	1.1
Vanessa McGivern	0	0	8,817,500	8,817,500	1.0	0	0.9
Timothy Phillips	0	0	14,700,115	14,700,115	1.6	0	1.5
Zag	0	0	246,178,441	246,178,441	26.9	0	25.9
Total	0	0	488,910,608	488,910,608	53.4	42,385,652	55.8

+ assuming all of the Contingent Consideration Shares are allotted to the Vendors

* assuming none of the Rollover Options are cancelled

Pursuant to the terms of the Acquisition Agreement, each member of the Concert Party has an interest in the number of Consideration Shares set out opposite his name in column (4) above, assuming all of the Contingent Consideration Shares are allotted to the Vendors. The issue of Consideration Shares pursuant to the Acquisition Agreement is conditional upon Completion occurring. It is anticipated that immediately after Completion the Concert Party will be interested in 488,910,608 Shares (comprising 248,904,318 Initial Consideration Shares and 240,006,290 Contingent Consideration Shares), representing approximately 53.4 per cent. of the Company's issued ordinary share capital (assuming no options or other rights to subscribe for the Company's shares are exercised between the date of this document and Completion).

7.6.1 Simon McGivern is a managing director of Ila. His business address is 4 Ingate Place, London SW8 3NS. Further details on Simon McGivern are disclosed in paragraph 3 of Part I of this document.

7.6.2 James Phillips is sales director of Ila. His business address is 4 Ingate Place, London SW8 3NS. Further details on James Phillips are disclosed in paragraph 3 of Part I of this document.

7.6.3 Brian McGivern is Simon McGivern's father. His address is Byewood, 14 Fitzgerald Road, Thames Ditton, Surrey KT7 0TU.

7.6.4 Vanessa McGivern is Simon McGivern's stepmother. Her address is Byewood, 14 Fitzgerald Road, Thames Ditton, Surrey KT7 0TU.

7.6.5 Timothy Phillips is James Phillips' father. His address is 12 The Mall, London SW14 7EN.

7.6.6 Zag is a shareholder in Ila. Zag's share capital is held as to 25 per cent. by Neil Munn and 75 per cent. by BBH Communications Ltd, which is a member of a leading global advertising agency. BBH offers communications solutions to a number of blue-chip brands. Zag was established by BBH as its corporate venturing unit to explore new revenue streams for the agency. Zag's primary focus is the invention of consumer brands that can be commercialised in the market. In 2008, Zag approached Simon McGivern and James Phillips with the idea of jointly developing and marketing the Dusk personal

security alarms in the UK in the first instance through Ila. Zag provides marketing and branding know how and support to Ila. Zag also assists brand owners, such as Diageo, in reviewing their brands. Zag has also provided brand evaluation services to companies such as Apax Partners and KKR.

7.7 Intentions of Concert Party

Other than the changes set out in this document, the Concert Party is not intending to seek any changes to the board of directors of the Company and has confirmed its intention that the business of the Company will be allowed to continue in the same manner as at present with no intention to relocate the business, or to redeploy any of the Company's fixed assets. However, were overhead cost savings or other such efficiencies to arise out of the creation of the Enlarged Group, then these would be implemented. The Concert Party is also not intending to prejudice the existing employment or employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management.

It is the Concert Party's intention that the sole business of the Enlarged Group will be to develop the business of Ila.

7.8 Confirmatory statements with respect to Rule 9

As at the close of business on the disclosure date, save as disclosed in this Part VII:

- 7.8.1 neither Ila, nor any of Ila's directors, nor any member of the Concert Party (nor any members of their respective immediate families, related trusts or connected persons), nor any person acting in concert with any of them, had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
- 7.8.2 neither Ila, nor any of Ila's directors, nor any member of the Concert Party, nor any person acting in concert with any of them, has dealt in any relevant securities in the disclosure period;
- 7.8.3 no member of the Concert Party has borrowed or lent any relevant securities or relevant Ila securities, save for any borrowed shares which have either been on-lent or sold;
- 7.8.4 neither the Company nor any of the Existing Directors (nor any members of their respective immediate families, related trusts or, so far as the Directors are aware, connected persons) had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities;
- 7.8.5 no paragraph 1 associate of the Company had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities or relevant Ila securities;
- 7.8.6 no pension fund of the Company or of a paragraph 1 associate of the Company had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities or relevant Ila securities;
- 7.8.7 no employee benefit trust of the Company or of a paragraph 1 associate of the Company had an interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities or relevant Ila securities;
- 7.8.8 no connected adviser to the Company or to a paragraph 1 associate of the Company or to a person acting in concert with the Company, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, or during the disclosure period dealt in any relevant securities or relevant Ila securities;
- 7.8.9 neither Ila, nor any director of Ila, nor any member of their immediate families, related trusts (so far as the directors are aware), connected persons, nor any persons acting in concert with any of them, had an interest or right to subscribe for relevant securities or any relevant Ila securities or any short position in relation to, or during the disclosure period dealt in any relevant securities or any relevant Ila securities;

- 7.8.10 no person who has an arrangement with the Company or any person who is an associate of the Company (by virtue of paragraphs (1), (2), (3) or (4) of the definition of associate in the City Code) had an interest in or right to subscribe for any relevant securities or any relevant Ila securities or any short position in relation to, or during the disclosure period dealt in any relevant securities or any relevant Ila securities;
- 7.8.11 neither the Company nor any person acting in concert with the Company has borrowed or lent any relevant securities or any relevant Ila securities, save for any borrowed shares which have either been on-lent or sold;
- 7.8.12 Ila has not redeemed or purchased any relevant Ila securities during the disclosure period;
- 7.8.13 no agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders in the Company having any connection with or dependence upon the Proposals; and
- 7.8.14 there is no agreement, arrangement or understanding whereby the beneficial ownership of the New Shares acquired by the Concert Party pursuant to the Acquisition will be transferred to any other person.

7.9 Relationships, arrangements and understandings

7.9.1 Relationships with Directors

No relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any Existing Director (or any person who is, or is presumed to be, acting in concert with any such Existing Director).

7.9.2 Relationships with Shareholders

No relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any Shareholder (or any person who is, or is presumed to be, acting in concert with any such Shareholder).

7.9.3 Relationships with Rule 3 adviser

No relationship (personal, financial or commercial), arrangements or understandings exist between any member of the Concert Party or any person acting in concert with them and any adviser to the Company under Rule 3 of the City Code (or any person who is, or is presumed to be, acting in concert with any such persons).

8 Middle market quotations for Existing Shares

The table below lists the closing middle market quotations for Existing Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document, for 23 December 2009 (the date on which the Existing Shares were suspended from trading on AIM) and for 12 February 2010 (the last dealing day prior to publication of this document):

<i>Date</i>	<i>Share price (p)</i>
12 February 2010	0.63
1 February 2010	0.63
4 January 2010	0.63
23 December 2009	0.63
1 December 2009	0.88
2 November 2009	0.88
1 October 2009	0.88
1 September 2009	0.88

9 Additional Information on the Existing Directors and Proposed Directors

Other than directorships of companies in the Enlarged Group, the Existing Directors and Proposed Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Present directorships or partnerships</i>	<i>Past directorships or partnerships</i>
Paul Gazzard	Locca	Sterling Environmental Solutions Limited Virotec Europe Limited
Rodger Sargent	—	Finance Ireland plc Hydrodec Group plc
Simon McGivern	Locca Locca Design & Development Ltd Locca Distribution Ltd	—
James Phillips	Locca Locca Design & Development Ltd Locca Distribution Ltd	—
Neil Munn	Bartle Bogle Hegarty Zag	—
Adam Arnold	Bartle Bogle Hegarty	—

Save as disclosed in this document, none of the Existing Directors or Proposed Directors has:

- 9.1 any unspent convictions in relation to indictable offences;
- 9.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 9.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- 9.4 been a partner in any partnership with has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 9.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 9.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 9.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

Save as disclosed in this document, no Existing Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Enlarged Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

10 Directors' Remuneration

10.1 Existing Directors

Particulars of the current service contracts and letters of engagement between the Existing Directors and the Company are:

<i>Name</i>	<i>Date</i>	<i>Notice period</i>	<i>Annual salary or fees</i>
Paul Gazzard	16 July 2008	6 months	£120,000*
Rodger Sargent	16 July 2008	6 months	£100,000*

*As set out below, Paul Gazzard and Rodger Sargent have each agreed with the Company, conditional on Admission, to reduce their salaries to £65,000 per year.

The service agreements for Paul Gazzard and Rodger Sargent are terminable by either party at any time upon 6 months' notice. During any period of notice there is an express contractual right to place the executives on garden leave. Any payment in lieu of the executives' notice period shall consist of basic salary only. The service agreements shall also be subject to termination by summary notice in writing if the executive shall have, *inter alia*, committed an act of gross misconduct or become bankrupt.

The service agreements of Rodger Sargent and Paul Gazzard provide that the Company may, at its sole discretion both as to whether to pay a bonus and, if so, how much, pay the executive a bonus of such amount as the board of Baylon may determine in respect of each complete financial year of Baylon during which the employment subsists.

Other benefits provided to Paul Gazzard and Rodger Sargent are contractual sick pay at a rate equivalent to the basic salary for 26 weeks of sickness absence in any 12 month period and 25 days' holiday per annum.

The service agreements for Paul Gazzard and Rodger Sargent contain post termination restrictive covenants which remain in force for a period of 6 or 12 months following the termination of employment depending on the nature of the restriction. For a period of six months after termination of employment Paul Gazzard and Rodger Sargent are prohibited from being engaged in a competing undertaking, from dealing with the Group's customers, from employing key employees of the Group, from interfering with the supply of goods and services from the Group's suppliers, and from soliciting goods from the Group's suppliers. For a period of 12 months following the termination of employment Paul Gazzard and Rodger Sargent are prohibited from soliciting business from the Group's customers and from soliciting senior employees to cease working for the Group.

The service agreements for the executives include provisions preventing the disclosure of confidential information in relation to the Group. Save as detailed above, there are no provisions in the service agreements for the executives providing for compensation on termination of employment.

Rodger Sargent and Paul Gazzard have each agreed with the Company, conditional on Admission, to vary the terms of their service contracts with the Company to reduce their salaries to £65,000 per year and to receive life assurance and private healthcare benefits. The terms of their contracts will otherwise remain unchanged.

10.2 Proposed Executive Directors

The following Proposed Directors have entered into service agreements, conditional on Admission the terms of which are set out below:

<i>Name</i>	<i>Date</i>	<i>Notice period</i>	<i>Annual salary or fees</i>
Simon McGivern	15 February 2010	6 months	£65,000
James Phillips	15 February 2010	6 months	£65,000

The service agreements for Simon McGivern and James Phillips are terminable by either party at any time upon 6 months' notice. During any period of notice there is an express contractual right to place the executives on garden leave. Any payment in lieu of the executives' notice period shall consist of basic salary only. The service agreements shall also be subject to termination by summary notice in writing if the executive shall have, *inter alia*, committed an act of gross misconduct or become bankrupt.

The service agreements of Simon McGivern and James Phillips provide that the Company may, at its sole discretion both as to whether to pay a bonus and, if so, how much, pay the executive a bonus of such amount as the board of Baylon may determine in respect of each complete financial year of Baylon during which the employment subsists.

Other benefits provided to Simon McGivern and James Phillips are contractual sick pay at a rate equivalent to the basic salary for 26 weeks of sickness absence in any 12 month period and 25 days' holiday per annum, life assurance and private health care.

The service agreements for Simon McGivern and James Phillips contain post termination restrictive covenants which remain in force for a period of 6 or 12 months following the termination of employment depending on the nature of the restriction. For a period of six months after termination of employment Simon McGivern and James Phillips are prohibited

from being engaged in a competing undertaking, from dealing with the Group's customers, from employing key employees of the Group, from interfering with the supply of goods and services from the Group's suppliers, and from soliciting goods from the Group's suppliers. For a period of 12 months following the termination of employment Simon McGivern and James Phillips are prohibited from soliciting business from the Group's customers and from soliciting senior employees to cease working for the Group.

The service agreements for the executives include provisions preventing the disclosure of confidential information in relation to the Group. Save as detailed above, there are no provisions in the service agreements for the executives providing for compensation on termination of employment.

The service agreements for Simon McGivern and James Phillips also provide that they may not during the employment be directly or indirectly either their his own account or on behalf of any other person, company, business entity or other organisation be employed, engaged, concerned or interested in any other business or undertaking save as in respect of Locca and as otherwise agreed by the Board. Both Simon McGivern and James Phillips are required to devote at least 75 per cent. of their working time, attention and skill to their duties under their service agreements, provided always that in the event of a disposal of the their interest in Locca, they shall, from the date of such disposal, be required to devote all of their working time, attention and skills to their duties under their service agreements.

10.3 Proposed Non-executive Directors

Neil Munn and Adam Arnold have been appointed as non-executive directors of the Company pursuant to a letter of appointment which takes effect on Admission and is for an initial period of three years subject to earlier termination by either party on three months' notice.

10.4 Fees for the financial years ending on 31 December 2008, 2009 and 2010

In the periods ended 31 December 2008 and 31 December 2009, the total aggregate remuneration paid and benefits-in-kind granted to the directors of the Company during those periods was £148,139 and £250,000 respectively. The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the year ending 31 December 2010 are estimated to be £200,000 (excluding any discretionary payments which may be made under these arrangements).

10.5 Directors' Service Contracts

Save for the service contracts detailed above, there are no existing or proposed service contracts between any Existing Director or Proposed Director and the Company or any of its subsidiary undertakings, which cannot be determined by the employing company within one year without payment of compensation other than statutory compensation and save as stated above, none of the agreements or letters of appointment referred to above have been amended in the last six months.

11 Material Contracts of the Company

The following contracts, not being contracts entered into in the ordinary course of business, are contracts which (i) are, or may be, material and have been entered into by the Company within the two years immediately preceding the date of this document; or (ii) have been entered into by the Company at any time before the date of this document where those contracts contain provisions under which the Company has an obligation or entitlement which is or may be material to the Company as at the date of this document:

11.1 Acquisition Agreement

The Acquisition Agreement sets out the terms of the conditional purchase by the Company of approximately 64 per cent. of the issued share capital of Ila and the arrangements for the acquisition of the balance of the shares, together in consideration for the allotment and issue, credited as fully paid, of 763,308,454 Consideration Shares. The Consideration Shares will be split into two tranches: 388,600,221 Initial Consideration Shares, which will be allotted to the Vendors on Completion; and 374,708,233 Contingent Consideration Shares, which will be allotted to the Vendors depending on whether or not Baylon receives a tax rebate from the

Australian authorities, as described further below. The Initial Consideration Shares will rank *pari passu* in all respects with the Existing Shares in issue as at the date of the Acquisition Agreement.

Molecra Australia, which remains a wholly owned subsidiary of Baylon, may receive a potentially material tax credit. If the full estimated value of the potential tax credit (£554,444) is received, then none of the Contingent Consideration Shares will be allotted to the Vendors. If no tax credit is received by the deadline of 31 December 2010 (subject to extension to 31 March 2011), or if such a tax credit is received but it is less than the estimated value of £554,444, then some or all of the Contingent Consideration Shares will be allotted to the Vendors, depending on the value of the tax credit received.

The Acquisition Agreement has been entered into by the Company with certain shareholders of Ila, representing approximately 64 per cent. of the entire issued share capital of Ila. Arrangements have been put in place for the remaining shareholders of Ila to execute a voluntary transfer of their shares in favour of Baylon, or failing which, for such shares to be acquired pursuant to a drag-along right in the articles of association of Ila. Completion of the Acquisition Agreement is conditional upon the effective transfer of these remaining shares to the Company. This condition may be waived in whole or in part by the Company.

The Acquisition Agreement is also conditional, *inter alia*, upon (i) the passing of the Resolutions numbered 1, 2 and 3 at the Baylon EGM, (ii) the Acquisition Agreement being unconditional except in respect of Admission, (iii) the Takeover Panel granting a waiver of the obligation of Ila to make a general offer for the Company under Rule 9 of the City Code, and (iv) Admission of the Enlarged Share Capital to trading on AIM.

The Company has the ability to terminate the Acquisition Agreement prior to Completion if there shall have occurred a material breach of the Acquisition Agreement by certain of the key Vendors, including a material breach of any warranty or pre-completion undertaking, upon the occurrence of any event which would result in a material breach of any of the warranties upon their repetition at Completion, or upon the occurrence of certain other adverse events in respect of Ila, provided that any such event or events have or is likely to have a material adverse effect on Ila.

Simon McGivern also has the ability to terminate the Acquisition Agreement on behalf of the Vendors prior to Completion if there shall have occurred a material breach of the Acquisition Agreement by the Company, including a material breach of any warranty or pre-completion undertaking, upon the occurrence of any event which would result in a material breach of any of the warranties upon their repetition at Completion, or upon the occurrence of certain other adverse events in respect of the Company, provided that any such event or events have or is likely to have a material adverse effect on the Company.

All of the Vendors party to the Acquisition Agreement have given warranties to Baylon regarding their title to Ila shares and their ability to effectively transfer them to Baylon. Zag has given certain further warranties regarding its knowledge of Ila. Simon McGivern and James Phillips have given warranties to Baylon in relation to the business and affairs of Ila, together with certain indemnities in favour of Baylon. The warranties given by Zag, Mr McGivern and Mr Phillips are subject to a limit of liability of £50,000 each, as well as certain time limitations.

Subject to certain very limited circumstances, the Company has agreed to make a contribution to Ila's costs. This contribution is classified as an inducement fee under the City Code and the maximum amount of such payment by the Company is £50,000.

11.2 Disposal Agreements

The Company and Molecra Australia agreed, pursuant to the Disposal Agreements dated 23 December 2009, to sell the Australian Assets to Molecra Technologies Pty Limited and Molecra Holdings Limited (the **Australian Purchasers**). The Disposal Agreements completed on 22 January 2010. The consideration for the sale was the transfer of 26,924,213 Shares by the Australian Purchasers to the Company by way of a repurchase of the relevant Shares. Of these Shares, 16,000,000 Shares were acquired from Molecra Holdings Limited and 10,924,213 Shares from Molecra Technologies Pty Limited. Once repurchased, the Shares were cancelled.

Pursuant to the Disposal Agreements, the Company paid AUD\$33,000 and certain other sums to the Australian Purchasers to cover the cost of registering the transfer of the intellectual property that forms part of the Australian Assets. The Company gave warranties to the

Australian Purchasers but such warranties were limited and extend only to matters of title, capacity, lack of encumbrances, solvency and related facts. The Company agreed not to be involved in the business of tyre recycling or related activities (including the manufacture of products using tyre derived materials) anywhere in the world for a period of up to 20 years.

11.3 Registrar Agreement

The Registrar Agreement dated 22 December 2005 between Baylon and the Registrar whereby the Registrar has agreed to act as registrar to Baylon. Under the Registrar Agreement the Registrar will be paid a minimum annual registration fee of £7,000 with such further fees to be determined under the agreement. Baylon will also reimburse the Registrar in respect of reasonable out of pocket expenses properly incurred in the performance of its duties. The Registrar Agreement may be terminated by the Registrar on 3 months' notice and by Baylon on 3 months' notice and on shorter notice in the event of breach of contract or insolvency. The Registrar has the benefit of an indemnity from Baylon against liabilities arising in the absence of the Registrar's negligence, fraud or wilful default of its duties under this agreement.

11.4 Nominated Adviser and Broker Agreement

On 6 March 2009, the Company entered into an agreement with Arbuthnot Securities, pursuant to which the Company appointed Arbuthnot Securities to act as Nominated Adviser and Broker to the Company for a fixed period of one year from the date of the agreement and thereafter an indefinite period from the date of the agreement, subject to termination on the giving of 30 days notice by either party. In consideration for these services, the Company is required to pay Arbuthnot Securities an annual retainer of £50,000 payable quarterly in advance.

11.5 Lock-In Deeds

Lock-in deeds dated 15 February 2010 granted by each of Simon McGivern, James Phillips, Rodger Sargent, Paul Gazzard and Zag (as required by rule 7 of the AIM Rules) in favour of (1) the Company and (2) Arbuthnot. Under the lock-in deeds those individuals and Zag have undertaken not to dispose of any Shares during the period of 12 months following Admission, save in certain limited circumstances including: in connection with a takeover offer the ability to accept an offer, to give irrevocable undertakings to accept an offer and to sell to an offeror or potential offeror who has been named in an announcement pursuant to the City Code, pursuant to a court order, or in the case of an individual, on the death of that individual. The individuals and Zag entering into the Lock-in deeds have also undertaken that, for so long as Arbuthnot is the nominated adviser and/or broker of the Company, and subject to certain other conditions, they will not dispose of any Shares held by them otherwise than through Arbuthnot.

11.6 Introduction Agreement

The Introduction Agreement is dated 15 February 2010 and made between the Company, Paul Gazzard, the Proposed Directors and Arbuthnot Securities. Under the terms of the agreement, Arbuthnot Securities will provide appropriate advice and guidance to the Company for the purposes of the application for Admission. In consideration for its services, the Company will pay Arbuthnot Securities a fee of £75,000 in cash as well as issue Arbuthnot Securities 5,681,819 Shares on Admission. The Company will reimburse Arbuthnot Securities in respect of all of its costs and expenses in relation to Admission.

Under the agreement, the Company gives certain warranties and indemnities to Arbuthnot Securities that are customary for agreements of this nature. In addition, the Existing Directors and the Proposed Directors also give certain warranties to Arbuthnot Securities. The maximum liability of the Company under the warranties is limited to the value of the Shares at Admission.

11.7 Share Repurchase Agreement

On 19 February 2009, the Company entered into a share repurchase agreement with Oakwood Nominees Limited, pursuant to which Oakwood Nominees Limited agreed to sell 30,000,000 Shares (beneficially owned by Andrew Dickson and Peter Dickson) to the Company. The aggregate purchase price paid to Oakwood Nominees Limited was £300,000, representing a price of 1p per Share. The closing middle market price on 26 February 2009 (being the last practicable date before publication of the relevant announcement) was 1.25 pence per Share.

11.8 Molecra Acquisition Agreement

On 16 July 2008 (1) the Company and (2) Molecra Technologies Pty Ltd entered into a share purchase agreement, whereby the Company acquired a proportion of the issued share capital of Molecra Australia that it did not already own (representing 34 per cent. of Molecra Australia shares) settled by the allotment and issue of 30,493,760 Shares.

11.9 White Cap Acquisition Agreement

On 16 July 2008 (1) the Company and (2) White Cap Investments Limited entered into a share purchase agreement, whereby the Company acquired a proportion of the issued share capital to Molecra Australia that it did not already own (representing 1.7 per cent. of Molecra Australia) settled by the allotment and issue of 1,506,240 Shares.

11.10 IP Assignment Agreement

On 16 July 2008 Molecra Holdings Ltd and the Company entered into an IP Assignment Agreement whereby the Company acquired the intellectual property, relating to a tyre recycling process, used under licence by Molecra Australia in its operation of a pilot plant. The consideration was the allotment of 16,000,000 Shares to Molecra Holdings Ltd.

12 Material Contracts of Ila

The following contracts, not being contracts entered into in the ordinary course of business, are contracts which are, or may be, material and have been entered into by Ila since its incorporation.

12.1 Manufacturing Agreement

A manufacturing agreement between Ila and Locca dated 27 January 2010 pursuant to which Ila has appointed Locca as a non-exclusive manufacturer of various Ila products, namely Ila *Dusk* and Ila *Pebble*, including associated packaging and labelling (the **Products**) throughout the world. The agreement has an initial term of one year and after the initial period may be cancelled by either party on two months' notice. Under the agreement, Locca is granted a non-exclusive licence to use Ila's intellectual property and the "*Ila Dusk*", "*Dusk*", "*Ila*" and "*Pebble*" marks and to apply those marks to the Products. Risk in the Products passes to Ila on delivery while title will pass to Ila on payment. Under the agreement Locca indemnifies Ila against third party claims arising from defective Products.

12.2 IP Assignment Agreements with Zag

An agreement between Ila and Zag dated 24 November 2009 pursuant to which Zag assigned to Ila for £1 all and any intellectual property rights that Zag owned in Ila's products, brand, advertising or other materials. Zag has agreed to execute at the request and expense of Ila any further documents that may be necessary to enable Ila to perfect the assignment and to record the assignment in the records of any applicable register and/or office.

12.3 IP Assignment Agreement with Locca

An agreement between Ila and Locca dated 27 January 2010 pursuant to which Locca assigned to Ila for £1 all and any intellectual property rights that Locca owned in Ila's products, brand, advertising or other materials. Locca has agreed to execute at the request and expense of Ila any further documents that may be necessary to enable Ila to perfect the assignment and to record the assignment in the records of any applicable register and/or office.

12.4 Shareholders' agreement

On 23 April 2009 Zag, Simon McGivern, James Phillips (together, for the purposes of this paragraph 12.4, the **Ila Shareholders**) and Ila entered into a majority shareholders' agreement in relation to Ila (the **Shareholders' Agreement**). Pursuant to the Shareholders' Agreement, the Ila Shareholders agreed to co-operate in the management of Ila and further agreed to regulate their relationship with each other and certain aspects of the affairs of and dealings with Ila.

Pursuant to the Shareholders' Agreement the board of Ila comprises one director appointed by Simon McGivern, one director appointed by James Phillips and two directors appointed by Zag (the **Zag Directors**). Accordingly the initial directors of Ila were stated in the Shareholders' Agreement to be Simon McGivern, James Phillips, Neil Munn and Adam Arnold (Mr Munn

and Mr Arnold being the **Zag Directors**). Any proposed directors appointed must be approved by all of the Ila Shareholders. The Chairman (stated to be Simon McGivern in the Shareholders' Agreement) has a casting vote on any matters with an equality of votes. A quorum for meetings of the directors will comprise at least two directors one of which must be a Zag Director (although there are provisions in the event that a Zag Director can attend neither the proposed nor a re-arranged meeting, in which case a quorum will be achieved despite the absence of a Zag Director).

Pursuant to the Shareholders' Agreement Simon McGivern and James Phillips agree to remain as key personnel of Ila for a period of either 12 months from the date of the first sale of Ila's first product to a major retailer, or for a period of 30 months from the signing of the Shareholders' Agreement, whichever is shorter.

The Shareholders' Agreement sets out certain matters which require approval from all of the Ila Shareholders. These include, *inter alia*, lending money, acquiring shares or making an investment in another company or business, issue or allot options over any of its shares or reorganise its share capital, change the nature or scope of its business, enter into any transaction or contracts which are not made on a *bona fide* arm's length basis in the ordinary course of business and paying any dividend.

The Shareholders' Agreement also includes restrictive covenants and confidentiality provisions of a type which is common in agreements of this nature

The Shareholders' Agreement will be terminated conditional on completion of the Acquisition and will not be renewed or replaced.

12.5 Advertising agreement

Ila has entered into an advertising agreement with a leading media buying agency (the **Agency**), which is independent of the Vendors and BBH. Pursuant to this agreement, the Agency will provide the Company with no less than £1,500,000 of Media Space (defined as any void out of home advertising media in the UK at the Agency's absolute discretion) valued at the market rate. The market rate for this purpose is the rate at which the relevant Media Space would be sold if allocated to an advertising client on an arm's length basis. The Agency is under an obligation to provide the Media Space in the period from 1 September 2009 to 30 November 2010.

In consideration for the Agency providing the Media Space, the Company has agreed to pay the Agency a percentage of the gross takings (excluding VAT) received by the Company in the initial period in relation to sales of Ila's products in the United Kingdom on a sliding scale, plus a bonus payment if sales exceed a certain level.

Ila is responsible for the production of all of its own advertising materials, although the Agency will assist Ila in this regard. Ila warranted that all of the advertisements displayed on the Media Space will comply with all relevant advertising codes of practice and will not be offensive, blasphemous or defamatory. Ila also indemnified the Agency in respect of any losses caused by Ila's breach of the agreement.

13 Working Capital

The Existing Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that, taking into account the Company's and Ila's available cash resources, the Enlarged Group has sufficient working capital available to it for its present requirements, that is for at least 12 months from the date of Admission.

14 Taxation

The following information is based on the law and practice currently in force in the UK and Jersey. The information is not exhaustive and, if potential investors are in any doubt as to their taxation position, they should consult their professional adviser. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.

14.1 Jersey Law

14.1.1 Jersey Taxation

The following summary of the anticipated treatment of the Company and holders of Shares (other than residents of Jersey) is based on Jersey taxation law and practice as it is understood to apply at the date of this document. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice. Prospective investors in the Shares should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of Shares in the Company under the laws of any jurisdiction in which they may be liable to taxation.

14.1.2 Taxation of the Company

The Company and, after Completion, the Enlarged Group is not regarded as resident for tax purposes in Jersey. Therefore, the Company will not be liable to Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended) and dividends on Shares may be paid by the Company without withholding or deduction for or on account of Jersey income tax. The holders of Shares (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Shares.

The attention of investors who are resident in Jersey for taxation purposes is drawn to Article 134A of the Income Tax (Jersey) Law 1961, as amended, the effect of which is that if the Jersey Comptroller of Income Tax is of the opinion that the main purpose, or one of the main purposes, of a transaction, or a combination or series of transactions, is the avoidance, or reduction, of the liability of any person to income tax, the Comptroller may make such assessment or additional assessment on that person as the Comptroller considers appropriate to counteract such avoidance or reduction of liability.

14.1.3 Stamp duty

In Jersey, no stamp duty is levied on the issue or transfer of the Shares except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer Shares on the death of a holder of such Shares. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a holder of Shares domiciled in Jersey, or situate in Jersey in respect of a holder of Shares domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75 per cent. of such estate.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there otherwise estate duties.

14.2 UK Law

The following statements are intended only as a general guide current as at 12 February 2010 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of the HMRC and do not constitute tax advice. Levels and bases of taxation are subject to change.

Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom or whose tax treatment may be affected by their domicile status is strongly recommended to consult his professional advisers immediately.

14.2.1 Dividends

The United Kingdom taxation implications relevant to the receipt of dividends on the Shares held as an investment are as follows:

(a) UK Resident Shareholders

There is no United Kingdom withholding tax on dividends. UK resident individual holders of Shares (whether UK domiciled or not) will be taxable on the total of the dividend and the related notional tax credit (**gross dividend**), which will be regarded as the top slice of the individual's income subject to tax at the individual's highest marginal rate

The notional tax credit on dividends is one ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Until 6 April 2010, higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability on the gross amount, resulting in an effective tax rate of 25 per cent on the net dividend received.

The 2009 Finance Act has introduced a new higher rate of 42.5 per cent. tax from 6 April 2010 on dividends for UK trusts and for individuals with income in excess of £150,000. Where a taxpayer whose income is above £150,000 receives a dividend of £90, they would have a further £32.50 liability resulting in an effective rate of tax of 36.1 per cent on the net dividend received.

(b) UK Companies

Following changes introduced by the Finance Act 2009, dividends received by UK companies after 1 July 2009 are likely to be exempt from taxation. However there are detailed conditions to be met depending upon various factors including (but not limited to) the size of the recipient company, the nature and size of their shareholding, and the profits out of which the dividends are paid. UK companies should seek separate advice on this point from their professional advisers.

(c) Other Shareholders

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities or certain individuals, are not generally entitled to reclaim any part of the tax credit associated with the dividend from HMRC.

14.2.2 Disposal of shares

On the basis that the company is incorporated in Jersey and its share registered is retained outside of the UK, the shares are non-UK situs assets for UK capital gains tax purposes.

(a) UK Resident and Domiciled Individuals

A Shareholder who is an individual resident or ordinarily resident for tax purposes in the UK and who is also UK domiciled who sells, transfers or otherwise disposes of his Shares held as an investment may, depending on the circumstances, incur a liability to UK tax on any capital gain realised at a rate of 18 per cent, subject to the availability of any losses, reliefs or annual exemption.

Following the Finance Act 2008, capital gains tax business asset taper relief has been abolished. Entrepreneurs' Relief may be available to reduce the rate of capital gains tax on some or all of the capital gain realised on a disposal of Shares (subject to a lifetime limit) to 10 per cent. This reduced rate may apply to a shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent of the ordinary share capital and voting power of the Company for a period of at least 12 months up to the date of disposal.

(b) UK Resident but non-UK Domiciled Individuals

A Shareholder who is an individual resident or ordinarily resident for tax purposes in the UK and who is not UK domiciled who sells, transfers or otherwise disposes of his Shares may benefit from the remittance basis of UK taxation. Individuals should consult their own tax advisers in respect of this matter.

(c) UK Companies

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Shares, at their marginal rate of corporation tax, but will generally be entitled to indexation allowance in respect of these Shares up until the date of disposal. Substantial Shareholding Exemption may be available to exempt the chargeable gain from corporation tax, where the corporate shareholder has a holding of at least 10 per

cent of the Shares, together with an entitlement to at least 10 per cent of the profits available for distribution and at least 10 per cent of the assets on a winding up and meets certain other conditions

The position may differ for certain categories of shareholder, such as dealers in securities, or where the Shares are otherwise held as an asset of a financial trade. Corporate shareholders should seek specific advice from their tax adviser in respect of this matter.

14.2.3 Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (SDRT) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Shares executed within, or in certain cases brought into, the UK. Provided that Shares are not registered in any register of the Company kept in the UK, any agreement to transfer Shares should not be subject to SDRT.

14.2.4 Other tax reliefs and risks

A holding of Shares may qualify for other tax reliefs such as capital gains tax gift relief and inheritance tax business property relief.

Additional taxation considerations and liabilities may exist for any individual who acquires their shares by reason of their own, or anybody else's, employment with the Company or the Group.

Individuals should seek confirmation from their professional advisers as to whether any relief is available in their own particular circumstances at the relevant time

14.2.5 Anti-Avoidance

There are provisions within the UK tax legislation which seek to prevent the avoidance of income tax in circumstances where an individual who is resident in the UK makes a transfer of assets abroad but retains the ability to enjoy the income arising from those assets. This could include the purchase of shares in a non-UK incorporated company and any undistributed income of the company such that the income could be attributed to, and be taxed in the hands of, the shareholder. This legislation should not apply where it can be demonstrated that there are *bona fide* commercial reasons for the arrangement. Shareholders should consult their own tax adviser as to the tax implications of their specific circumstances.

14.2.6 Individual Savings Accounts

Shares will not be eligible to be held in the stocks and shares component of an ISA.

14.2.7 Self-invested Personal Pension Schemes (SIPPs)

Shares may be held for the purposes of a SIPP where such shares are considered suitable investments by the scheme administrator.

15 Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings in which any Enlarged Group company is involved or of which any Enlarged Group company is aware, pending or threatened by or against any Enlarged Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Enlarged Group's financial position.

16 General

16.1 Other than as described in this document, there has been no significant change in the trading or financial position of Ila since 30 September 2009, being the end of the last financial period for which audited financial information on Ila has been published.

- 16.2 Paragraph 1 of Part I of this document explains that following a strategic review announced on 29 September 2009, the Company reduced the activities of its operating subsidiary, Molecetra Australia, to a minimum and began exploring alternative ways of closing or selling Molecetra Australia. On 22 January 2010, the Company disposed of the business and assets of Molecetra Australia.
- Other than as described in this document, there has been no significant or material change in the trading or financial position of the Company and its group since 31 December 2008, being the end of the last period for which audited financial information on the Company and its group has been published.
- 16.3 The total expenses payable by the Company in connection with Admission and the Acquisition are estimated to amount to approximately £225,000 (excluding VAT).
- 16.4 Grant Thornton has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part V Section A and its letter set out therein and the references thereto and to its name in the form and context in which they appear.
- 16.5 Arbuthnot Securities has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 16.6 The audited accounts of the Company for the three financial years to 31 December 2006, 31 December 2007 and 31 December 2008 and the unaudited interim accounts for the six months to 30 June 2009 are available on the Company's website: www.molecetragroup.co.uk.
- 16.7 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of material importance to the Enlarged Group's business or profitability.
- 16.8 Save as set out in this document as far as the Directors are aware there are no environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 16.9 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 16.9.1 received, directly or indirectly from the Company within the 12 months preceding the date of this document; or
- 16.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more; or
- (b) securities of the Company where these have a value of £10,000 or more calculated by reference to the value of a Share as at 23 December 2009 (the date on which the Shares were temporarily suspended from trading on AIM); or
- (c) any other benefit with the value of £10,000 or more at the date of this document.
- 16.10 There are no arrangements known to the Company restricting the free transferability of the Shares.
- 16.11 Save as disclosed in this document, there are no arrangements known to the Company the operation of which may at a subsequent date result in a change of control of the Company.
- 16.12 Part 18 (Article 116 to 124A) of the Law contains provisions in relation to compulsory acquisitions of shares in the event of a takeover offer. The Law defines a takeover offer as an offer to acquire all the shares, or all the shares of any class or classes, in a company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class.
- 16.12.1 If, in a case in which a takeover offer (as defined in the Law) does not relate to shares of different classes, the offeror has by virtue of acceptances of the offer acquired or contracted to acquire in the case of a no par value company, not less than 9/10ths in number of the shares to which the offer relates, the offeror may give notice, to the holder of any shares to which the offer relates which the offeror has not acquired or contracted to acquire, that he or she desires to acquire those shares.

16.12.2 If, in a case in which a takeover offer relates to shares of different classes, the offeror has by virtue of acceptances of the offer acquired or contracted to acquire in the case of a no par value company, not less than 9/10ths in number of the shares to which the offer relates, the offeror may give notice, to the holder of any shares of that class which the offeror has not acquired or contracted to acquire, that he or she desires to acquire those shares.

No notice shall be given under paragraph 16.12.1 or 16.12.2 unless the offeror has acquired or contracted to acquire the shares necessary to satisfy the minimum specified in that paragraph before the end of the period of 4 months beginning with the date of the offer; and no such notice shall be given after the end of the period of 2 months beginning with the date on which the offeror has acquired or contracted to acquire shares which satisfy that minimum. There are provisions as to the form that notices must take and the methods of payment pursuant to the Law.

16.13 If an offeror does not give a notice in accordance with the above provisions:

16.13.1 If a takeover offer relates to all the shares in a company and at any time before the end of the period within which the offer can be accepted (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares to which the offer relates; and (b) those shares (with or without any other shares in the company which he or she has acquired or contracted to acquire) amount, in the case of a no par value company, to not less than 9/10ths in number of all the shares in the company, the holder of any shares to which the offer relates who has not accepted the offer may by a written communication addressed to the offeror require him or her to acquire those shares.

16.13.2 If a takeover offer relates to shares of any class or classes and at any time before the end of the period within which the offer can be accepted (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares of any class to which the offer relates; and (b) those shares (with or without any other shares of that class which he or she has acquired or contracted to acquire) amount, in the case of a no par value company, to not less than 9/10ths in number of all the shares in the company, the holder of any shares of that class who has not accepted the offer may by a written communication addressed to the offeror require him or her to acquire those shares.

16.14 Within one month of the time specified in paragraph 16.13.1 or, as the case may be, paragraph 16.13.2 the offeror shall give any shareholder who has not accepted the offer notice of the rights that are exercisable by the shareholder under that paragraph; and if the notice is given before the end of the period mentioned in that paragraph it shall state that the offer is still open for acceptance.

16.15 A notice under paragraph 16.13 may specify a period for the exercise of the rights, conferred by this Article and in that event the rights shall not be exercisable after the end of that period; but no such period shall end less than 3 months after the end of the period within which the offer can be accepted.

16.16 Paragraph 16.13 does not apply if the offeror has given the shareholder a notice in respect of the shares in question under the provisions summarised in paragraphs 16.12.1 and 16.12.2.

16.17 The Existing Shares are, and the Consideration Shares will be, in registered form and capable of being held in uncertificated form.

16.18 Existing Shareholders should note that following Admission and the issue of the Initial Consideration Shares their existing shareholdings in the Enlarged Share Capital will be diluted by approximately 72.9 per cent. If all of the Contingent Consideration Shares are issued in due course, their existing shareholdings will be diluted by a further 11.1 per cent.

17 Documents available

Copies of the following documents will be available for inspection at the offices of Norton Rose, 3 More Riverside, London SE1 2AQ, during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document until one month after Admission. The documents will also be available for inspection at the Extraordinary General Meeting:

17.1 the Memorandum and Articles of Association of the Company and Ila;

- 17.2 the Accountants' Reports set out in Part V, Section A and Part VI, Section B of this document;
- 17.3 the audited accounts of Baylon Holdings Limited for the periods ended 31 December 2006, 31 December 2007 and 31 December 2008;
- 17.4 the audited financial information of Ila for the 15 months ended 30 September 2009;
- 17.5 the material contracts referred to in paragraph 11 of this Part VII of this document;
- 17.6 the consent letters referred to in paragraphs 16.4 and 16.5 of this Part VII of this document;
- 17.7 the Existing Directors' and the Proposed Directors' service contracts and letters of appointment for the non-executive Directors referred to in paragraphs 10.1 and 10.2 of this Part VII of this document;
- 17.8 the rules of the Share Option Scheme and the Ila EMI Scheme as referred to in paragraph 7 of this Part I of this document; and
- 17.9 this document.

DEFINITIONS

In this document, unless the context otherwise requires, the expressions set out below bear the following meanings:

Act	the Companies Act 2006;
Administrator	Anglo Saxon Trust Limited, or any successor administrator of Baylon;
Acquisition	the proposed acquisition by Baylon of the entire issued share capital of Ila;
Acquisition Agreement	the agreement relating to the Acquisition, made between Baylon and certain of the Vendors, a summary of which is set out in paragraph 3 of Part VII;
Admission	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
Admission Document	this document which has been produced pursuant to the AIM Rules, disclosing information required for Admission;
AIM	the market of that name operated by the London Stock Exchange;
AIM Rules	the rules of the London Stock Exchange for AIM companies and their nominated advisers governing admission to and operation of AIM, as amended from time to time;
Arbuthnot or Arbuthnot Securities	Arbuthnot Securities Limited, the Company's nominated adviser and broker, authorised and regulated by the FSA and a member of the LSE;
Arbuthnot Shares	the 5,681,819 Shares to be allotted and issued to Arbuthnot at Admission pursuant to the Introduction Agreement;
Articles	Articles of Association of Baylon;
Australian Assets	the assets of Molecra Australia sold by Molecra Australia or Baylon, as appropriate, pursuant to the Disposal Agreements;
Baylon Board	the board of directors of Baylon at the date of this document;
Baylon EGM	the Extraordinary General Meeting of Baylon Shareholders at which Baylon Shareholders will vote on the Resolutions, such Resolutions and a copy of the notice of extraordinary general meeting being at the end of this document;
BBH or Bartle Bogle Hegarty	Bartle Bogle Hegarty Limited;
City Code	the City Code on Takeovers and Mergers administered by the Panel;
Clear Channel	Clear Channel UK Limited;
Combined Code	the Combined Code on Corporate Governance issued by the Financial Reporting Council, as amended from time to time;
Company or Baylon	Baylon Holdings Limited;
Completion	completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
Comptroller	the Jersey Comptroller of Income Tax;
Concert Party	Simon McGivern, James Phillips, Brian McGivern, Vanessa McGivern, Timothy Phillips and Zag, (each of them being "a member of the Concert Party"), all of whom are regarded for the purposes of the City Code as acting in concert (as defined in the City Code) in relation to the Company and its share capital;
Consideration Shares	the Initial Consideration Shares and the Contingent Consideration Shares;
Contingent Consideration Shares	the up to 374,708,233 Shares to be allotted and issued to the Vendors following Completion pursuant to the Acquisition

Contingent Enlarged Share Capital	Agreement (or arrangements made pursuant thereto) depending on the value of any tax credit received by Molecra Australia, if any; the issued share capital of the Enlarged Group assuming all of the Consideration Shares and the Arbuthnot Shares are issued;
CREST	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755), including modifications thereof or any regulations in substitution thereof made under section 207 of the Act for the time being in force and the Companies (Uncertificated Securities) (Jersey) Order 1999 (and in the event of any inconsistency, the latter shall prevail);
Directors or Board	the directors of Baylon immediately following Admission;
Disclosure and Transparency Rules	the FSA's rules relating to the disclosure of information in respect of securities which have been admitted to trading on a regulated market or for which a request for admission to trading has been made;
Disposal	the disposal of the Australian Assets on the terms of the Disposal Agreements;
Disposal Agreements	the agreements between, <i>inter alia</i> , Baylon, Molecra Australia, Molecra Holdings Limited and Molecra Technologies Pty Limited relating to the sale by Baylon and Molecra Australia of the Australian Assets;
Enlarged Group	the Group as enlarged by the Acquisition;
Enlarged Share Capital	the issued share capital of the Enlarged Group immediately following Admission, including the Existing Shares, the Initial Consideration Shares and the Arbuthnot Shares;
Existing Directors	the directors of Baylon at the date of this document, whose names appear on page 4 of this document;
Existing Shares	the Shares in issue as at the date of this document;
Existing Share Capital	the issued share capital of Baylon as at the date of this document;
Existing Shareholders	holders of Existing Shares;
Form of Proxy	the form of proxy which accompanies this document for use by Existing Shareholders in connection with the Baylon EGM;
FSA	The Financial Services Authority of the United Kingdom;
Grant Thornton	Grant Thornton UK LLP, a limited liability partnership registered in England and Wales;
Group	Baylon Holdings Limited and its subsidiaries;
Ila EMI Scheme	the Ila Security Limited Enterprise Management Incentive Share Scheme;
Ila	Ila Security Limited, a company incorporated on 2 July 2008 under the laws of England and Wales with company no. 06635706;
Initial Consideration Shares	the 388,600,221 Shares to be allotted and issued to the Vendors at Completion pursuant to the Acquisition Agreement (or any arrangements made pursuant thereto);
Introduction Agreement	the conditional agreement dated 15 February 2010 between Arbuthnot Securities, Baylon, the Existing Directors and the Proposed Directors relating to Admission, further details of which are set out in paragraph 11.6 of Part VII of this document;
Jersey	the Bailiwick of Jersey;
JFSC	The Jersey Financial Services Commission;

Law or Jersey Law	the Companies (Jersey) Law 1991, as amended;
Locca	Locca Tech Limited, a company incorporated on 4 August 2003 under the laws of England and Wales with company no. 04854785;
London Stock Exchange	London Stock Exchange plc;
Molecra Australia	Molecra Australia Pty Limited, a company incorporated on 6 March 2006 in Queensland, Australia with company no. 118664430;
Ordinary Resolution	a resolution proposed and passed as such by a simple majority of the total number of votes cast for an against such resolution;
Overseas Baylon Shareholders	Shareholders with a registered address in, or who are citizens, residents or nationals of, a jurisdiction outside the UK;
Panel	The Panel on Takeovers and Mergers;
Proposed Directors	the proposed directors of Baylon whose names appear on page 4 of this document;
QCA Guidelines	the guidelines for corporate governance of AIM companies published by the Quoted Companies Alliance;
Registrar	Capita Registrars (Jersey) Limited, or any successor registrar of Baylon;
Resolutions	the resolutions described in the notice of extraordinary general meeting set out at page 73 of this document;
Rollover Options	the options over Baylon Shares to be issued at Completion to the current holders of options over Ila shares in exchange for the cancellation of those options;
Share Option Scheme	the Baylon Holdings Limited Share Option Scheme;
Shares	ordinary shares of no par value in the capital of Baylon;
Shareholders or Baylon Shareholders	persons who are registered holders of Shares;
Special Resolution	a resolution proposed and passed as such by a majority consisting of two thirds or more of the total number of votes cast for and against such resolution;
Subsidiaries	Baylon's subsidiary companies details of which are set out in paragraph 4 of Part VII;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000;
US or United States	the United States of America (including states of the United States and District of Columbia), its possessions and territories and all other areas subject to its jurisdiction;
Vendors	the current shareholders of Ila, who will be selling their shares in Ila to the Company pursuant to the Acquisition Agreement and the other agreements or mechanisms described in paragraph 11.1 of Part VII;
Whitewash	waiver of the obligations that would otherwise arise under Rule 9 of the City Code for the Concert Party to make a general cash offer for the whole of the Company's Existing Share Capital;

Whitewash Resolution	the ordinary resolution concerning the Whitewash to be proposed on a poll at the Baylon EGM and set out in the notice of the Baylon EGM as Resolution 1;
Zag	Zag Limited, a company registered in England with company number 05589757 and whose registered office address is at 60 Kingly Street, London W1B 5DS;
£ or Sterling	the lawful currency of the United Kingdom; and
AUD	the lawful currency of Australia.

NOTICE OF EXTRAORDINARY GENERAL MEETING

BAYLON HOLDINGS LIMITED

(the Company)

(Incorporated in Jersey with registered number 91984)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 3 More London Riverside, London SE1 2AQ on 4 March 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution on a poll of Shareholders of the Company (as defined in the AIM Admission Document of the Company dated 15 February 2010 (the **Admission Document**)), resolutions 2 and 3 will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

- 1 THAT the grant of the waiver by the Panel on Takeovers and Mergers described in the Admission Document of any obligation which would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers for the Concert Party (as defined in the Admission Document) or any members of the Concert Party to make a general offer to shareholders of the Company as a result of the allotment and issue of the Consideration Shares (as defined in the Admission Document) giving the Concert Party a maximum interest in the Company of 488,910,608 shares, being approximately 53.4 per cent. of the Company's issued share capital following Completion (as defined in the Admission Document) be and is hereby approved.
- 2 THAT, subject to the passing of Resolutions 1 and 3, the proposed acquisition by the Company of up to 100 per cent. of the issued share capital of Ila Security Limited on the terms and subject to the conditions of the Acquisition Agreement and related arrangements (as defined in the Admission Document) and all related agreements be and are hereby approved for all purposes and that the directors of the Company be authorised to complete the same in accordance with their terms, subject to such modifications (if any) as they may consider necessary.
- 3 THAT in substitution for all subsisting authorities to the extent unused the Directors be and they are hereby generally and unconditionally authorised in accordance with Article 6.2 of the Company's articles of association (the **Articles**) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
 - (A) in connection with the Acquisition, (as defined in the Admission Document) consisting of, or granting the right to subscribe for, or convert any security into, up to a maximum of 823,319,561 shares; and
 - (B) otherwise than pursuant to paragraph (A) above, consisting of, or granting the right to subscribe for, or convert any security into, up to a maximum of 180,194,276 shares.

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

- 4 THAT, subject to the passing of Resolution 3 above and in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered pursuant to Article 6.7 of the Articles to allot equity securities (within the meaning of Article 6.6) for cash pursuant to the authority conferred by Resolution 3, as if Article 6.3 did not apply to any such

allotment, provided that this power, in the case of the authority granted under paragraph (B) of Resolution 3, shall be limited to the allotment of equity securities consisting of, or granting the right to subscribe for, or convert any security into, up to a maximum of 27,029,141 shares, and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 5 THAT subject to the passing of resolutions 1, 2 and 3 set out in the notice of this meeting, the name of the Company be changed to Ila Group Limited.

Dated 15 February 2010

By Order of the Board,

Anglo Saxon Trust Limited

Secretary

Registered office:

PO Box 264, Union House, Union Street, St Helier, Jersey, JE4 8TQ

Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
- 2 A blue form of proxy is provided with this notice. Completion and return of such a proxy will not prevent a member from attending the Meeting and voting in person.
- 3 To be effective, the blue form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time of the holding of the Meeting or any adjournment thereof.
- 4 Pursuant to Article 40(1) of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company has specified that only those members registered on the register of members of the Company at 6:00 p.m. on 2 March 2010 shall be entitled to attend and vote at the Meeting in respect of the number of Shares registered in their name at that time. Changes to the register of members after 6:00 p.m. on 2 March 2010 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

