Valuation Report

Isocol International

KSI (WA)

Contents

Executive Summary

Purpose

Our report ("Report") has been prepared for the purpose of evaluating the consideration to be paid by the purchaser, Microskin PLC ("Microskin"), to acquire the international (excluding Australia and New Zealand) business of Isocol (including trademarks, rights to trade, and distribution agreements, hereafter referred to as "Isocol International" or the "Business").

This report establishes a market value for the Business, sets out the consideration payable by Microskin for the Business, and considers the compliance with all aspects of Section 593 of the Companies Act 2006, regarding the issue of shares for non-cash consideration.

Valuation of the Business (Consideration Received)

We have calculated the value of Isocol International, based on the Discounted Cash Flow method – that the value of the Business is the discounted value of its expected future cashflows. This model is heavily reliant on the calculation of the discount rate, which we estimated using the Capital Asset Pricing Model ("CAPM"), which is an industry standard model for companies that are primarily equity financed.

Taking into consideration the start-up nature of the Business, coupled with projections by the management of Isocol International regarding sales performance, we estimate the value of the Business to be between €4.3m and €7.8m, with a midpoint of €6.0m.

The Enterprise Value was set at €6.0m.

Purchase Terms

Microskin is to issue 16,992,960 shares to the vendors of Isocol International, in exchange for full rights to the global trade of the Isocol business (excluding Australia and New Zealand), plus trademarks and distribution agreements already in place. Given the Enterprise Value established, this attributes consideration of €0.35 per share being issued to acquire Isocol International.

The par value of each Microskin PLC share is €0.12, hence this creates a share premium of €0.23 per share.

As at the date of issue, the market value (par plus premium) of Microskin's ordinary shares is €0.25, per Euronext Marche Libre Paris. Hence, given the value of Isocol International, the consideration to be received by Microskin for the shares it is issuing is in excess of the current market price, hence the nominal value and premium are considered to be fully paid up on completion of Microskin's purchase of the Business.

Other Matters

The Discounted Cash Flow method was the only reasonable method to value the Business, in all circumstances – the Business is a new startup and has not yet traded, nor acquired assets. As such, valuation methods based on historical earnings performance, or asset holdings, were inappropriate.

Based on our review, there has been no material change in the value of the consideration since our calculation of the valuation.

Based on our Report, the value of the consideration by which the nominal value and premium on shares is to be paid up, is not less than so much of the aggregate of the nominal value and the whole of any such premium that is treated as paid up the consideration.

Scope of this Engagement

Purpose of the Report

KSI (WA) has been requested by Microskin, as the purchaser of Isocol International, to prepare the Report on the value of consideration payable for the business of Isocol International.

Microskin, a United Kingdom public company, intends to issue shares to acquire Isocol International. This constitutes the issue of shares for non-cash consideration. Under the requirements of the Companies Act 2006 (section 593), the consideration must be independently valued during the six months immediately preceding the proposed allotment, by a suitably qualified individual/firm.

We have been requested to value the Business, as at 15 December 2016.

The purpose of this report is to:

a) Establish a fair market value for Isocol International,
b) Set out the nature of the consideration to be provided by Microskin, to the vendors, in respect of Isocol International, and
c) Consider the reasonableness of valuation and compliance with all other requirements of Section 593 of the Companies Act 2006.

Limitations on Scope

KSI (WA)'s indicative valuation is based on economic, share market, business and trading conditions prevailing as at the date of the valuation. These conditions can change significantly over relatively short periods. If they do change materially, the indicative valuation could vary significantly. However, KSI (WA) has no obligation or undertaking to advise any person of any changes in circumstances which come to its attention after the date of this Report or to review, revise or update its Report.

This Report is based upon financial and other information provided by the Management of Isocol International. KSI (WA) has considered and relied upon this information and has no reason to believe that any material facts have been withheld. The information provided to KSI (WA) has been evaluated through analysis, inquiry and review for the purposes of determining an indicative equity valuation of Isocol International. However, KSI (WA) does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or due diligence investigation might disclose.

An important part of the information used in our determination of value comprises opinions and judgement of management. This type of information was evaluated through analysis, inquiry and review. However, such information is often not capable of external verification or validation and cannot be independently verified.

To the extent that there are legal issues relating to the assets, properties or business interests or issues relating to compliance with applicable laws, regulations, and policies, KSI (WA):

- assumes no responsibility and offers no legal opinion or interpretation on any issue
- has assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so

Sources of Information

The following information was used and relied upon, without independent verification, in preparing this Report, including but not limited to:

- Isocol International's projected sales volumes in its target markets
- Isocol International's distribution agreement in the UK with Pasante Healthcare Limited
- Isocol International's market research regarding sales potential in the UK market

- Discussions with Isocol International's management: Mr Christopher Musgrave and Mr David Robinson
- Review of industry reports from IBIS World for relevant sectors to Isocol International
- Market data for model calculation, including:
    - Country risk factors [Aswan Damodaran, NYU]
    - UK Treasury 10 year bond yield rates

Background

Isocol International is a new business, established to expand the footprint of Isocol products across the globe; it will acquire various intellectual property assets from Isocol PLC and/or its related entities, with the aim of leveraging Isocol Australia's 30+ year trading history to launch this well-established brand into new key international markets. The Isocol Australia product range and iconic brand has been long established in Australia and New Zealand and has proven to be a reliable performer across an extended period within these markets.

Isocol International has acquired the global rights (excluding Australia and New Zealand) to a tried and tested product range, approved by the Therapeutic Goods Administration ("TGA") in Australia. The product is a multi-purpose antiseptic, cleanser and freshener with a wide range of household and personal uses.

Isocol International intends to capture market share using the same products which have received a high level of Australian market take up. It is understood that Isocol International has already received strong positive feedback from various tradeshows in the United Kingdom which may be an early indicator of likely market take up / acceptance in this market. Products are expected to be ranged in a wide variety of Supermarkets and Pharmacies.

Isocol products are used for a wide variety of purposes, however the major uses include, for household cleaning, disinfecting surfaces and killing germs as well as an antiseptic skin rub to help prevent pimples, as an aftershave, body rub and cleanser. As a consequence, Isocol competes within the cleaning, antiseptics and disinfectants markets, both commercial and domestic as well the skin care industry.

As at the date of valuation Isocol Pty Ltd has secured a distribution agreement with United Kingdom based distributor Pasante Healthcare Limited. Management have advised that this agreement is to be novated to Isocol International. As at the date of valuation however the novation has not yet occurred and Isocol International has not yet formally commenced active trading and consequently has not made any sales.

The business is expected to follow the same lean operating model as its predecessor (Isocol Australia) with manufacturing and distribution functions both outsourced. Manufacture will initially be undertaken in Melbourne, Australia although it is noted that management intend to source alternate producers located in closer proximity to key markets over the medium term. All products are intended to be shipped in bulk to the respective target market country where they will be handled, packaged, warehoused and distributed by the outsourced distributor/s.

Head office is intended to be established in London in the United Kingdom. The head office facility will accommodate minimal staff (to reduce overhead costs) who will primarily focus on the corporate strategy, advertising, promotions and administrative functions.

<u>Products & Services</u>

Isocol International will commence operations focusing on sale of its flagship product: the Isocol rubbing alcohol antiseptic 345ml bottle.

Isocol Rubbing Alcohol Anti-bacterial Antiseptic –The TGA approved product is to be sold in the UK market, at £1.70. Being a rubbing alcohol product it may be used for medical purposes including skin care and the treatment of acne, as a household cleaner & disinfectant as well as a diverse variety of other applications.

Isocol Multi-Purpose Anti-Bacterial Solution – This antibacterial product is sold in small 45ml spray bottles which are designed to be carried as a personal items for use as a skin sanitiser, as a rubbing alcohol, or the sanitation of other surfaces.

Isocol 100% Isopropyl Alcohol – As an undiluted Isopropyl alcohol product it is more suitable for a variety of heavy duty uses. The product is sold in a 300ml trigger pack.

Target Market & Industry
Isocol International intends to pursue the following major global market segments (excluding Australian and New Zealand):

- Cleaning (commercial and domestic);
- Antiseptic and Disinfectants; and
- Skin care (acne).

Isocol International intends to mimic the success of the Australian brand by following a similar "go to market" strategy which centres around the distribution of products via major grocery and pharmacy chains.
We note management forecasts the flagship product 345 ml product will be ranged in approximately 5,000 grocery stores and 6,500 pharmacies across the United Kingdom by FY2019 in addition to a similar number of stores across China representing around 85% market penetration.

Business Model
Isocol International will employ a relatively simple business model which will essentially outsource all manufacturing, packaging and distribution activities. Isocol International's main operational focus is expected to be the management of all marketing / promotional and administrative tasks and the execution of growth strategy. The simplicity of operations will mirror that of the successful Isocol Australia business model which is expected to result in strong profitability largely as a result of the minimisation of overheads costs.

Management advise that manufacturing of all Isocol International products has been agreed to be undertaken (at least initially) by Ultramix Pty Ltd from its Melbourne based production facilities. Management have further advised alternate manufacture arrangements within both the United Kingdom and Asia are intended to be sourced in the medium term which are expected to facilitate additional margin gains as a result of decreased logistics expenses.

Key achievements of the business to date include:

- In principle agreement to procure all Isocol Intellectual Property including trademarks, for the international markets.

- In principle agreement with Melbourne based manufacturer Ultramix Pty Ltd for the supply of bulk Isocol products over the short to medium term.

- In principle agreement with Isocol Pty Ltd to novate the executed exclusive 3 year U.K distribution agreement with Pasante (July 2016) to Isocol International.

Projected Financial Results

Set out in the table below are the projected financial results for Isocol International, for the period 2017-2021, based on management's best estimates of the Business' performance during that period.

	2017	**2018**	**2019**	**2020**	**2021**
	€EUR	€EUR	€EUR	€EUR	€EUR
Revenue	1,501,083	2,266,698	3,032,314	3,122,926	3,213,537
Gross Profit	*906,635*	*1,365,050*	*1,823,465*	*1,877,755*	*1,932,045*
Gross Profit Percentage	60%	60%	60%	60%	60%
Net Profit	*252,366*	*597,934*	*950,555*	*973,107*	*994,072*
Net Profit Percentage	17%	26%	31%	31%	31%
Profit After Tax	*201,892*	*478,347*	*760,444*	*778,486*	*795,258*

The annual performance, as shown above, of the Business, is based solely on sales within the United Kingdom, through the distributor, Pasante.

Management of the Business believe there is also potential for the Business to expand its sales and operations into China, however this has not been included in the above projections. Management of the Business have less experience with the specific nuances and idiosyncrasies of the Chinese market, and are less advanced in their negotiations with distributors in this market. As such, management are not in a position to produce projections for that market at this stage and, to be most conservative, the impacts of that market have been excluded.

Valuation of Isocol International (the Consideration)

Valuation Methodology

In conducting our assessment of the fair market value of the Business, we have considered a number of valuation methodologies including asset-based methods, market-based methods and the discounted cash flow method. A description of each method can be found in the Appendices. We have adopted the Discounted Cash Flow Method ("DCF Method") to value the Business. This approach is most suitable for the following reasons:

- Isocol International is a new startup, which is expected to have cashflow fluctuations in the coming years; and
- The Business' cashflows can be estimated with a reasonable degree of confidence; and
- Projections of the Business' cashflows are available for the next five years.

The DCF Method is based on the premise that the value of a business is the net present value of its forecast cashflows, plus an assessment of the value of the business at the end of the forecast period.

Source Data

Cashflow forecasts for Isocol International have been prepared from underlying data supporting the Business' projections and forward planning models. This includes expected sales volumes, contracted sale prices with the UK distributor (Pasante Healthcare Limited), historically established purchase prices with the Australian supplier (Ultramix Pty Ltd), and expected overhead expenses.

These results have then been varied to take account of variations in working capital (including receivables, payables, and inventory costs).

DCF Method Assumptions

1. The data supplied by Management of Isocol International was presented in a variety of currencies, including $AUD, €EUR, $USD, and £GBP. We completed translations of these values or prices into Euros, at the prevailing rates of exchange on the date of this valuation report.
2. Data supplied took account of sales on a calendar year basis (January-December), hence our valuation has been prepared on a matching basis.
3. Management has confirmed that the agreement with their Pasante provides for Pasante to bear all costs of logistics and distribution costs, both relating to import into the United Kingdom, and distribution therein. Consequently, no logistics or distribution costs have been attributed to Isocol International.
4. Marketing costs have been estimated following market research conducted into the UK market, as to the value of advertising required to establish a footprint in the market.
5. No adjustments have been made for capital expenditure of any kind, or subsequent depreciation/amortisation.

Terminal Value

The forecast of Isocol International's cashflows has been prepared through 2021. At that stage, with an established business, we have then estimated the value of subsequent cashflows into perpetuity.

Following 2021, we have assumed annual growth rate of 3% per annum (representing the average growth rates in the Business' target markets; UK and China).

Discount Rate

The DCF Method relies upon the estimation of an appropriate discount rate. Industry wide, this is standardly calculated as the weighted average cost of capital (WACC) that reflects a business' cost of debt and equity, weighted by the business' debt to equity capital structure.

Isocol International is planned as a debt free business, hence we have selected a WACC that focusses on the cost of equity, calculated using the Capital Asset Pricing Model (CAPM). The process by which the discount rate was calculated – and the data underlying it – is detailed in the Appendices.

Taking account of the underlying factors and risk profile of Isocol International, we determined a discount rate of 22.6%. This adequately captured both market risk and business-specific risk, on evaluating the business plan of Isocol International.

This discount rate has been applied to the forecast cashflows for 2017-2021, and as a component of the calculation of the terminal value of the Business, from 2021 onward.

Valuation Data

The results of applying the DCF Method and accompanying assumptions, as outlined above, to the projections for Isocol International over the next five years, are shown in the table below.

	2017	2018	2019	2020	2021
	€EUR	€EUR	€EUR	€EUR	€EUR
EBITDA	252,366	597,934	950,555	973,107	994,072
Less: Tax	(50,473)	(119,587)	(190,111)	(194,621)	(198,814)
Net Income	201,892	478,347	760,444	778,486	795,258
Movement in Working Capital	20,095	31,063	42,032	43,323	44,615
Free Cash Flow	221,987	509,411	802,476	821,809	839,873
Discount rate (per annum)	26.7%	50.4%	84.4%	126.1%	177.3%
Net Present Value of cash flows	**181,029**	**338,773**	**435,205**	**363,458**	**302,912**
Sum of Net Present Value	1,621,378				
Plus: Terminal Value	4,407,978				
Enterprise Value	**6,029,356**				

Enterprise value - range

In evaluating the Enterprise Value of Isocol International, we have taken into consideration the potential sensitivity of cashflows to changes in the volumes of goods sold. Both revenues and costs of goods sold are inherently tied to the volumes sold, hence changes in the volume of goods sold would have a sizeable impact on cashflows. Thus, as part of our calculations, we have tested situations where projected sales volumes increased by 15%, or decreased by 15%.

The range of NPVs arising from these changes, compared to the base case, are shown in the following table.

	15% Reduction in Volumes Sold	Base Case	15% Increase in Volumes Sold
	€EUR	€EUR	€EUR
Total Free Cash Flows	2,219,793	3,195,556	4,171,319
Sum of Net Present Value of Cash Flows	1,107,512	1,621,378	2,135,245
Terminal Value	3,156,040	4,407,978	5,659,915
Enterprise Value	**4,263,552**	**6,029,356**	**7,795,160**

Preferred Value

Based on our analysis of Isocol International and its proposed business activities, it is our opinion that the range for the Enterprise Value is between €4.3m and €7.8m, with a midpoint of €6.0m.

We are cognizant of various factors which may have an impact on the actual performance of Isocol International, including but not limited to:

- The ability of management of Isocol International (and their distributor in the United Kingdom) to achieve their sales objectives,
- The expected rates of market penetration and subsequent rate of take-up in the United Kingdom market,
- The sourcing of alternate manufacturers, their costs and ability to deliver requested volumes in a timely fashion,
- Access – if required – to equity funds in support of the early growth phase of the brand in new markets,
- Impacts of foreign exchange volatility, given operations for sourcing products and sale of products are spread across borders, and
- The ability of Isocol International to enter into new markets that have not been incorporated into the calculations of the Enterprise Value.

Having given due consideration to the factors above listed, we consider the Base Case valuation of €6.0m to be most reflective of the underlying business circumstances, and hence this is the Preferred Value.

Purchase Price (Microskin Equity Issue)

As described in the Purpose of this Report section, Microskin are acquiring Isocol International. Microskin is a United Kingdom public company listed on Euronext Marche Libre Paris.

Microskin is to issue 16,992,960 shares to the vendors of Isocol International, in exchange for all rights to the business. Given the Enterprise Value established above, this attributes consideration of €0.35 per share issued by Microskin PLC to acquire Isocol International.

The par value of each Microskin PLC share is €0.12, hence this creates a share premium of €0.23 per share.

As at the date of issue, the market value (par plus premium) of Microskin's ordinary shares is €0.25, per Euronext Marche Libre Paris. The consideration to be received by Microskin for the shares it is issuing is in excess of the current market price, hence the nominal value and premium are considered to be fully paid up on completion of Microskin's purchase of the Business.

Other Considerations

The Discounted Cash Flow method was the only reasonable method to value the Business, in all circumstances – the Business is a new startup and has not yet traded, nor acquired assets. As such, valuation methods based on historical earnings performance, or asset holdings, were inappropriate.

Based on our review, there has been no material change in the value of the consideration since our calculation of the valuation.

Based on our work, the value of the consideration by which the nominal value and premium on shares is to be paid up, is not less than so much of the aggregate of the nominal value and the whole of any such premium that is treated as paid up the consideration.

Statement of Independence

KSI (WA) are independent of Microskin PLC, its directors and substantial shareholders, and is also independent of Isocol International, its directors and vendors. KSI (WA) does not have any interest, direct or indirect, in Isocol International or Microskin PLC, or any associated companies. KSI (WA) is being paid a fee according to its normal per-diem charge rates and out-of-pocket expenses incurred in the preparation of the Report. KSI (WA)'s fee is not contingent on the outcome of the purchase of Isocol International by Microskin.

KSI (WA) also comply with all independence requirements of Sections 1150 and 1151 of the Companies Act 2006.

Qualifications

KSI (WA) are statutory auditors recognised under the authority of the Financial Reporting Council in the United Kingdom. Mr Nicholas Hollens BA ACA, Principal of KSI (WA), is a Registered Auditor and a member of the Institute of Chartered Accountants in England and Wales (ICAEW), has extensive experience in the valuation of business for purposes such as mergers and acquisitions, and sale of equity, in particular expert reports on the valuation and financial aspects therein, including the fairness and reasonableness of said valuation.

The professionals employed in the research, analysis, and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

Nicholas Hollens

Nicholas Hollens – Senior Statutory Auditor

On behalf of **KSI (WA)** – Statutory Auditors

22 December 2016

Appendices

Appendix 1 - Valuation Methods

In conducting our assessment of the fair market value of Isocol International, we have considered the following valuation methods:

- Asset based methods
- Market based methods
- Discounted cash flow method

The market value based method of capitalisation of future maintainable earnings is the most commonly used method for the valuation of businesses.

<u>Asset Based Methods</u>
Asset based methods estimate the market value of a business's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- net tangible assets
- orderly realisation of assets
- liquidation of assets

The net tangible assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the business is wound up in an orderly manner realising a reasonable market value for assets.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a business's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable.

<u>Market Based Methods</u>
Market based methods estimate a business's fair market value by considering the market price of transactions in its shares or the market value of comparable companies and comparable transactions. Market based methods include:

- capitalisation of future maintainable earnings
- analysis of a business's recent share trading history
- industry specific methods

The capitalisation of future maintainable earnings method estimates fair market value by multiplying the business's future maintainable earnings by an appropriate capitalisation multiple. An appropriate multiple is derived from an assessment of a business's business specific risk and the risk profile of the markets and industry in which it operates. The capitalisation of future maintainable earnings method is appropriate where the business's earnings are relatively stable and comparable companies have similar cost structures.

Most recent share trading history provides strong evidence of the fair market value of the shares in a business where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using industry benchmarks such as recurring revenue. These methods generally provide less persuasive evidence on market value of a business, as they may not account for business specific factors.

Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a business's future cash flows to their net present using an appropriate discount rate (generally referred to as the weighted average cost of capital). This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies (with fluctuating cash flows) or projects with a finite life.

Selection of Valuation Method

In selecting our methodology, we have considered:

- specific characteristics of the operations of the Group
- access to publicly available valuation benchmarks
- comparable business information and comparable business transactions

In our opinion, the most appropriate valuation method applicable to Isocol International is the discounted cash flow method, for the following reasons:

- Future cash flows have been estimated for the next 5 years with a reasonable degree of confidence
- The business is a new startup and will therefore have fluctuating cashflows.

Given its status as an unlisted startup without an asset base and no trading history, the other potential methods of valuing the business are not suitable.

Given Isocol International is not intended to be funded via debt, we have selected a suitable model for discounted cash flow modelling to price equity funded companies – the Capital Asset Pricing Model (CAPM).

Appendix 2 – Calculation of the Discount Rate (CAPM)

While our determination of an appropriate discount rate is ultimately a matter of professional judgement, we have used CAPM as a method to ensure that the discount rate selected is reasonable and reflects that risk profile of Isocol International.

CAPM Theory

The CAPM is based on the theory that a prudent investor will price assets so that the expected return is equal to the risk free rate of return, plus a premium for risk associated with that asset. The CAPM expresses these concepts and calculates the cost of equity (i.e. a discount rate) using the following equation:

Ke = Rf + Beta (Rm - Rf)

Where:

Ke	Cost of Equity Capital
Rf	Risk Free Rate of Return
Beta	Risk of relevant assets (volatility)
Rm	Expected return on the market

The sensitivity of the return of an investment to general market movements is usually expressed as its beta. That is, the beta measures the investment's overall relative riskiness.

Components of CAPM
In constructing a discount rate using CAPM, we have considered the following in respect of the individual components.

(a) Risk Free Rate (Rf)
Theoretically, the nearest approximation of the risk free rate should be the rate on the shortest dated UK Government borrowing instrument. When valuing a long life asset, however, a longer-term rate is needed to match the life of the cash flows. The risk free rate used is normally the mid-point of the bond yield on the appropriate UK Government instrument with a term which most closely matches the term of the cash flows to which it will be applied.
We have selected a risk free rate of 1.48% being the current U.K. ten-year government bond rate as at the date of this report. This is in line with acceptable valuation methodology.

(b) Determination of Beta
The beta of a company is a measure of the variance of the return gained from holding a share in that company compared with the return on the market and represents the risk profile of that investment. The beta value centres around one – if it equals one, it means the return on that company's equity is expected to match the market average; less than one, and the company return is considered less risky than the market average; more than one, and the company return is more risky than the market average.

A beta can be individually calculated for a company though there is a possible margin for error as a result of the changing nature of companies and the limited number of observations used in producing the beta of a company. Furthermore, betas are derived from equity market statistics relating to companies that often carry on a mixture of businesses.

An alternate methodology and more commonly used approach to determine a beta of a company (particularly of an unlisted company) is to review Industry betas or the betas of comparable companies. From this review of the industry betas (after making necessary adjustments to reflect the specific risk attributes of the Isocol group) we constructed a proxy for a Beta to use in the CAPM calculation. We have adopted this methodology. In determining a beta for Isocol International under the methodology outlined above, the following factors have been taken into account:

- The fact that the business is in the very early growth phase of operations;
- The forecast level of growth of earnings and assets;
- The size of the entity;
- Level of competition;
- Other factors relating to the company and its industry which affect its degree of risk.
- A review of unlevered betas for the Chemical (specialty), Drugs (Pharmaceutical), Healthcare Products and Household Products industries (average 0.95).

After reviewing a range of betas for comparable companies and reviewing the Isocol International business (and its specific risk profile), we have determined that a beta of 1.46 is appropriate.

(c) Market Risk Premium (Rm - Rf)
The market risk premium is based on the expected return on the equity market (Rm) (in this case we have selected the country specific risk premium for July 2016 as published by Damodaran – most recent available). The average country risk for Isocol International's target markets is 8%.

However, since July 2016, a number of situations have arisen that increase the potential for global volatility – especially in more developed nations – such as the incoming Trump Presidency in the United States of America, the continuing instability of the Eurozone region, and the uncertainty of Brexit (the British exit from the EU). The truly global nature of these events and their impact is also causing substantial changes in foreign exchange rates, often in a short period of time, which is another contributing factor to market volatility and risk.

As such, given these factors, we consider a suitable market risk premium to be 16%.

(d) Discount Rate

Using the formula originally described, and the input factors described above, we have calculated the discount rate to be 22.63%.