

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT OR WHAT ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES AND IS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000. THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ. YOU SHOULD ALSO BE AWARE THAT AN INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK. YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" IN PART II OF THIS DOCUMENT.

The Directors of the Company, whose names appear on page 7, accept responsibility individually and collectively for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is expected that Admission will take place and that trading will commence on 27 January 2003.

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 listed on the Official List. 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. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt on any other Recognised Investment Exchange and no applications for such dealings have been made. No application has been made for the Warrants, the Further Subscription Rights or the W.H. Ireland Warrant to be dealt on any Recognised Investment Exchange.

This document, which comprises an admission document drawn up in accordance with the AIM Rules and the POS Regulations, has been issued in connection with the application for Admission.

BIONEX INVESTMENTS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 3995223)

Admission to trading on the Alternative Investment Market

Nominated Adviser and Broker W.H. Ireland Limited

SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Number	Authorised		Issued and fully paid	
	Amount	Ordinary shares of 1p each	Number	Amount
750,000,000	£7,500,000		157,925,634	£1,579,256.34

W.H. Ireland, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser and broker in connection with the proposed Admission. W.H. Ireland will not be responsible to any other person for providing the protections afforded to customers of W.H. Ireland.

W.H. Ireland has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and no liability whatsoever is accepted by W.H. Ireland for the accuracy of any information or opinions contained in this document, for which the Directors and the Company are solely responsible, or for the omission of any information.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of W.H. Ireland Limited, Cannongate House, 62-64 Cannon Street, London EC4N 6AE and from the registered office of the Company.

CONTENTS

	Page
Definitions	3
Capital structure	6
Foreign currencies	6
Directors, secretary and advisers	7
PART I - INFORMATION ON THE COMPANY	8
Introduction	8
Life sciences	8
Key strengths	9
Investment strategy	9
Details of investments	11
Directors and scientific adviser	14
Warrants and Further Subscription Rights	16
Corporate governance	16
Employees	16
Financial information	17
Current trading and prospects	17
Dividend policy	17
Reasons for Admission	17
Lock-in agreements	17
CREST	18
PART II - RISK FACTORS	19
PART III - FINANCIAL INFORMATION	21
PART IV - ADDITIONAL INFORMATION	30

DEFINITIONS

The following words or expressions have the following meanings in this document, unless the context requires otherwise:

“2006 Further Subscription Right” or “2006 FSR”	a further subscription right entitling the registered holder to subscribe for one Ordinary Share at 2.5p at any time up to 31 December 2006 and to be issued two 2006 Warrants
“2006 Warrant”	a warrant entitling the registered holder to subscribe for one Ordinary Share at 2.5p at any time up to 31 December 2006
“2010 Further Subscription Right” or “2010 FSR”	a further subscription right entitling the registered holder to subscribe for one Ordinary Share at 2.5p at any time in the period commencing on 1 January 2007 and ending on 31 December 2010 and to be issued two 2010 Warrants
“2010 Warrant”	a warrant entitling the registered holder to subscribe for one Ordinary Share at 2.5p at any time in the period commencing on 1 January 2007 and ending on 31 December 2010
“Abingdon”	Abingdon Capital Plc, registered number 1796133, a company incorporated in England and Wales the ordinary share capital of which has been admitted to trading on AIM
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing the admission to and operation of AIM
“Articles of Association” or “Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company, whose names and addresses are set out at page 7
“Combined Code”	the Principles Of Corporate Governance And Code Of Best Practice published by the Committee on Corporate Governance chaired by Sir Ronald Hampel in June 1998
“Company” or “Bionex”	Bionex Investments plc, registered number 3995223, a company incorporated in England and Wales
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“Executive Directors”	those Directors who are executive directors and whose details are set out on page 7

“Further Subscription Rights”	the 2006 Further Subscription Rights and the 2010 Further Subscription Rights
“Investee Company”	a company which fulfils the investment criteria of the Company and in which the Company proposes to make, or has made, an investment
“IPO”	initial public offering
“London Stock Exchange”	London Stock Exchange plc
“Newbourne”	Newbourne Plc, registered number 3532402, an unquoted company incorporated in England and Wales
“Non-Executive Directors”	those Directors who are non-executive directors and whose details are set out on page 7
“Official List”	the Official List of the UK Listing Authority
“Old Further Subscription Rights”	the transferable rights to subscribe for one Ordinary Share at 2.5p at any time before 31 December 2010 and to be issued two Old Warrants for each Ordinary Share subscribed for, which rights have, on Admission, all been redesignated as 2006 Further Subscription Rights or 2010 Further Subscription Rights
“Old Warrants”	warrants entitling the registered holder to subscribe for one Ordinary Share at 2.5p at any time up to 31 December 2010, which warrants have, on Admission, all been redesignated as 2006 Warrants or 2010 Warrants
“Ordinary Shares”	ordinary shares of 1p each in the share capital of the Company
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Recognised Investment Exchange”	any investment exchange for the time being recognised by the UK Secretary of State for Trade and Industry by order made by statutory instrument
“Shareholder”	a holder of Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority, acting in its capacity as a competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of the United Kingdom, including where the context so permits any committee, employee or servant of such authority to whom any function of the UK Listing Authority may from time to time be delegated
“USA” or “United States”	the United States of America
“Warrants”	the 2006 Warrants and the 2010 Warrants
“W.H. Ireland”	W.H. Ireland Limited

“W.H. Ireland Warrant”

the warrant to be issued immediately on Admission to W.H. Ireland entitling W.H. Ireland to subscribe at 3.25p per share for 4,737,769 Ordinary Shares during the three year period commencing on the date of Admission

CAPITAL STRUCTURE

Number of Ordinary Shares in issue on Admission	157,925,634
2006 Warrants	20,187,500*
2010 Warrants	20,187,500*
2006 Further Subscription Rights	13,000,000*
2010 Further Subscription Rights	13,000,000*
W.H. Ireland Warrant	4,737,769*

* - no application has been made for the Warrants, the Further Subscription Rights or the W.H. Ireland Warrant to be dealt on any Recognised Investment Exchange

FOREIGN CURRENCIES

All references to “US\$” in this document are to United States dollars, the lawful currency in the USA. All references to “€” are to the single currency unit referred to in Council Regulations (EC) No 974/98 of May 1998 on the introduction of the Euro.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Graham Thomas Wylie (<i>Chairman and Chief Executive</i>) Thomas St. George Powell (<i>Finance Director</i>) James Julian Noble* Andrew Christopher Roberts* Dr Geoffrey Nicholas Vernon* *Non-Executive <i>all of:</i> 223a Kensington High Street London W8 6SG
Company secretary	Thomas St. George Powell
Registered office	223a Kensington High Street London W8 6SG
Nominated Adviser and Broker	W.H Ireland Limited 11 St James's Square Manchester M2 6WH
Reporting Accountants	Chantrey Vellacott DFK Russell Square House 10 -12 Russell Square London WC1B 5LF
Solicitors to the Company	Stringer Saul 17 Hanover Square London W1S 1HU
Solicitors to W.H. Ireland	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
Registrars	Melton Registrars Limited Cresta House Alma Street Luton Bedfordshire LU1 2PU

PART I – INFORMATION ON THE COMPANY

Introduction

Bionex was incorporated on 11 May 2000 as an investment company with the objective of achieving long-term capital growth through investment in life sciences companies.

The Company's principal fund raisings (which were all by the issue of equity capital) were of approximately £2 million before expenses in January 2001, £422,000 before expenses in April 2002 and £500,000 before expenses in December 2002. In addition, in December 2002, the Company issued 43,076,923 Ordinary Shares at a price of 3.25p per share in consideration of the purchase from Abingdon of 1 million shares in Ark Therapeutics Group Limited, valued at £1,350,000 at that time, and 140,845 shares in Photo Therapeutics Group Limited, valued at £50,000 at that time.

Prior to December 2002, Abingdon held 28,333,333 Ordinary Shares and the agreement with Abingdon for the purchase of shares in Ark Therapeutics Group Limited and Photo Therapeutics Group Limited provided that the 43,076,923 Ordinary Shares issued as consideration be issued to Abingdon or as it so directed. As part of Abingdon's share capital reorganisation, all of its existing holding of 28,333,333 Ordinary Shares and the 43,076,923 Ordinary Shares issued as consideration for the purchase of shares in Ark Therapeutics Group Limited and Photo Therapeutics Group Limited have been transferred and issued respectively to a nominee of the shareholders of Abingdon. The use of a nominee allows the shareholders in Abingdon to utilise a nil-cost dealing facility for their Ordinary Shares which is to be provided by Abingdon. As a result, Abingdon no longer holds any Ordinary Shares and the Company will have up to 1,471 shareholders.

Because Abingdon has held more than 10 per cent. of Bionex's issued share capital within the last 12 months, Abingdon is deemed to be a related party to Bionex until 19 December 2003, the first anniversary of the disposal of its Ordinary Shares. Tom Powell, the Finance Director of Bionex, is the group financial controller of Abingdon and Chris Roberts, a non-executive director of Bionex, is the group managing director of Abingdon.

Newbourne, an unquoted company, subscribed £500,000 for 16,666,667 Ordinary Shares in December 2002. Newbourne is currently in the process of being wound up as a result of which these Ordinary Shares will be transferred to the shareholders of Newbourne. Further matters relating to the holding of Ordinary Shares of Newbourne are set out in this Part I - Lock-in agreements.

To date the Company has made nine investments in the life sciences sector, of which one has been disposed of prior to the date of this document.

Life sciences

Life sciences may be regarded as the systematic study of living things, how they work and their practical application to human healthcare, agriculture, food production and the environment. Life sciences companies, broadly defined, include companies in pharmaceuticals, biotechnology, medical devices, diagnostics, bio-informatics, instrumentation and speciality chemicals.

The life sciences sector as a whole is capital intensive. The principal activity of these generally young companies is research and development and consequently they have an ongoing funding requirement throughout the product development period.

Life sciences is a complex sector, where an in-depth understanding of the markets and the technology, access to relevant information and the ability to follow key events and developments are particularly important in identifying successful investment opportunities.

In particular, the valuation of life sciences companies is highly subjective and involves an understanding of the science, the competitive positioning of the product, the technological risks and whether a particular company has balanced risk across its portfolio.

The Directors believe that the life sciences sector is an exciting and growing market that offers a wide range of investment opportunities.

Key strengths

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

- *Experienced Board:* the Board has wide experience of the life sciences sector as well as extensive commercial experience, including in particular the flotation of companies on public capital markets;
- *Deal Flow:* the Directors believe that the Company will have access to a variety of potential investment opportunities. These opportunities will arise both through the Board's considerable sector knowledge and the Directors' wide range of contacts in the UK life sciences centres of Oxford and Cambridge, as well as in the United States and Europe;
- *Investment Opportunity:* the Directors believe that Bionex provides private investors with an opportunity to invest indirectly, as part of a diverse portfolio, in a range of unquoted opportunities in which private investors can normally only participate through companies such as Bionex; and
- *Right Time:* based on their current knowledge of the sector, the Directors believe that this is a good time to be investing in life sciences as valuations are currently at historically low levels.

Investment strategy

Bionex was formed in order to offer investors an opportunity to participate in the life sciences sector through a structure allowing investment with a long term view through a diverse portfolio. In particular, the Directors believe that there are many opportunities to invest in private companies which will be available to Bionex but which would not be readily available to a private investor. Since December 2000 the Board has been expanded to include individuals with substantial management and investment expertise in the life sciences sector. The Directors believe that the Board offers a complementary mix of commercial experience as well as specific expertise in the life sciences sector.

The Directors believe that the Company has two key advantages in seeking to achieve its investment strategy and identify suitable investments:

- the commercial experience of the Board both in the life sciences sector and outside. Most of the Directors have been involved in the flotation of a company as a director or adviser either in or outside the life sciences sector. In addition the majority of the Directors has direct experience of advising and investing in companies both pre and post IPO; and
- the Board has excellent contacts within the life sciences sector. In particular, Graham Wylie has extensive contacts within the Cambridge area and James Noble in the Oxford area, these being the two key locations in the UK for life sciences. Geoffrey Vernon has extensive sector contacts throughout Europe and the USA and in particular within the specialist financial community.

The Directors believe that this sector specific depth of knowledge will enable them to access suitable investment opportunities.

Bionex will continue to seek to make investments in unquoted life sciences companies, from start-up through to pre-IPO investments. However, whilst the Company will focus on unquoted investments, it may also hold quoted investments, both as the result of the flotation of companies in which Bionex has previously invested and as a result of making investments in quoted companies. Whilst the Company has to date invested in companies based in Europe and the USA, the Directors do not rule out making investments in other geographical locations should such investments be deemed to be appropriate for the Company's shareholders.

Investment criteria

So as to best balance the risk of investing in unquoted, early stage, developing companies, the Directors intend to invest only in companies which have the backing of institutional investors and, in the Directors' opinion, fulfil all, or the majority of, the following criteria:

- significant growth prospects with a strong, focused management team;
- based on sound scientific principles;
- appropriate intellectual property protection;
- a clearly defined and realistic commercial strategy; and
- reasonable prospects for an eventual IPO or other form of exit.

Investment structure

The Directors in general intend the Company to be a passive investor in accordance with the following parameters:

- an aggregate investment of between £100,000 and £500,000, with a target initial investment of £200,000;
- the founders and/or current directors of the Investee Company to retain day to day control and, where possible, a significant shareholding;
- where possible, co-invest alongside institutional investors, or otherwise in companies with prior institutional investment; and
- whilst the Company will always seek an equity participation in its investments, it may invest through a variety of financial instruments including convertible loan stock, warrants and convertible preference shares or a mixture of equity instruments.

Investment process

Once an investment proposal has been identified, the Company carries out a review of the potential Investee Company. As part of such a review, each Investee Company will be assessed with reference to the criteria listed above in this Part I - Investment criteria.

In addition to these reviews, a potential Investee Company may also need to be evaluated and approved by the Company's scientific adviser, who will be instructed to analyse the investments purely from a scientific perspective and to report back to the Board.

Exit strategy

The Directors intend to realise the Company's investments in a manner which will create the maximum value for the Company's shareholders, for example via a flotation or a trade sale. The Company will, where appropriate, provide assistance to the Investee Companies in this regard.

Where Investee Companies are floated, the Directors may not realise the Company's investment immediately where regulatory reasons or the restrictions relating to a particular investment prevent an immediate realisation or where the Directors believe that an investment might be realised more profitably at a future date.

Co-investment policy

To avoid potential situations of conflict between the Executive Directors, any employees and the Company, a co-investment policy has been adopted by the Board in relation to co-investment by the Executive Directors, employees and Bionex. The details of this policy are set out below:

- no Executive Director or employee of Bionex can co-invest in an Investee Company on more favourable terms than Bionex itself;
- no Executive Director or employee of Bionex can co-invest unless Bionex has had the opportunity to take an investment within its normal investment size criteria (as defined by the Board from time to time); and
- no Executive Director or employee of Bionex may dispose of investments held by them where Bionex is also an investor unless the Executive Director or employee has obtained the prior written permission of the Board.

In adopting this co-investment policy the Board is aware that no co-investment policy can cover all situations and the Board may therefore vary, amend or suspend the policy following consultation with W.H. Ireland or the Company's nominated adviser from time to time.

Details of investments

Set out below are details of the investments currently held by the Company. Since December 2000, the Company has made nine equity investments in the life sciences sector. One such investment, an equity stake in Cytomyx Holdings plc purchased for £200,000, was realised during the period from October 2001 to January 2002 at a profit of £48,611.

In accordance with applicable accounting standards, the Directors have adopted a policy whereby investments are valued at cost less any permanent diminution in value. Any profit will only be recognised on the eventual realisation of an investment. Where the Directors are of the opinion that there has been a permanent diminution in the value of an investment the book value is written down to the new lower value and the loss taken to the profit and loss account for the relevant period. Further details of the Company's accounting policies are set out in Part III - Financial Information of this document.

Advanced Medical Solutions Group plc ("AMS")

AMS was incorporated in 1993 to develop next generation advanced wound dressing. The portfolio of products has grown from synthetic polymers and polyurethanes to include alginates, films and hydrocolloids. Proprietary membrane was added through the acquisition of the woundcare division of PolyMedica Corporation in 1997 and more recently both amorphous and sheet hydrogel have been added to further extend its range of advanced wound care materials.

Bionex invested £100,000 as part of a £3.5 million fund raising used to finance the acquisition of MedLogic Global Limited, a company based in Plymouth. MedLogic Global Limited develops medical grade tissue adhesives and sealants.

AMS has been quoted on the London Stock Exchange since 1994 and is currently admitted to trading on AIM. As at 15 January 2003 (being the latest practicable date prior to the date of this document) AMS was valued at 9.125p per share compared with the 8.5p per share at which the Company invested.

Ark Therapeutics Group Limited (“Ark Group”)

Ark Group is the holding company of Ark Therapeutics Limited (“Ark Therapeutics”). Ark Therapeutics claims to combine world-leading expertise in medicinal gene science and endothelial biology with focused clinical programmes to develop a range of novel gene-based products to treat vascular and circulatory system related diseases and cancer. Ark Therapeutics has a broad product pipeline relating to its expertise in medicinal gene science and endothelial biology. Its products include innovative gene-based medicines, delivery systems and novel diagnostics.

Ark Therapeutics, founded in 1997, has its headquarters in London and also has operations in Kuopio, Finland. Bionex invested £200,000 in August 2001 as part of a £14 million round of funding at a pre-money valuation of £47.5 million. Several leading biotechnology investors participated in this and previous funding rounds.

Bionex acquired a further one million shares in Ark Group from Abingdon in December 2002 in consideration of the issue of 41,538,462 new Ordinary Shares in Bionex at 3.25p per share. These new shares were issued direct to a nominee of Abingdon's shareholders at the direction of Abingdon, pending the possible sale of such Ordinary Shares on behalf of shareholders in Abingdon who wish to utilise a nil-cost dealing facility for their Ordinary Shares.

On the basis of the Company's accounting policies set out in Part III - Financial Information of this document, the Company's investment in Ark Group represents of the order of 60 per cent. of its total portfolio of investments as at the date of this document.

Avidex Limited (“Avidex”)

Avidex was incorporated in 1999 as a spin-out company of the University of Oxford and became operational in July 2000. James Noble, a Director of Bionex, is the company's chief executive officer.

Avidex is a drug discovery company, principally focussing on its patented ability to make soluble and stable T Cell Receptors (“TCRs”). T cells, a key component of the human immune system, are guided by TCRs to diseased cells, such as cancer cells, in order to destroy them. Making artificial TCRs has been an aim of many groups around the world but, until now, it has not been possible to make the TCRs in a form which could be used in a pharmaceutical context. The TCRs are also relevant in autoimmune disease, autoimmune disease being caused by T cells attacking healthy cells in error.

Avidex is carrying out research in two main areas:

- targeting cancer cells in order to kill them, using the TCRs directly; and
- applying the TCRs to discover small molecule immune inhibitors in screens.

In addition, the company has in-licensed potential immune suppressors called CD80 inhibitors from Active Biotech AB and is currently seeking to optimise these compounds.

Avidex successfully completed an £11.5 million financing in September 2002 in which the Company invested £250,000.

BioVex Limited (“BioVex”)

BioVex was incorporated in 1997 by academics working at University College London and is based in Oxford and London.

BioVex has developed proprietary vectors, based on modified herpes simplex virus HSV-1 (the common cold sore virus), for the delivery of genes to a number of important target tissues where BioVex claims its vectors have particular utility - including cells of the immune system and the nervous system - and for oncolytic tumour therapy.

BioVex is aiming to establish collaborative relationships with genomics and pharmaceutical companies to evaluate gene targets for future product opportunities. One such collaboration was recently announced with Aventis Pharma Limited.

Bionex invested £200,000 (of which £120,000 was paid in August 2001 and the balance of £80,000 in July 2002) at a pre-money valuation of £7 million. A total of £10 million was raised from other investors.

Drug Abuse Sciences Incorporated (“DAS”)

DAS of Los Altos, California and Paris, France is a pharmaceutical company, founded in 1994, with the intention of developing a new generation of therapeutics for alcohol abuse and drug addiction. There are an estimated 22 million alcoholics and eight million heroin or cocaine users in the USA and Europe. In the USA alone it is estimated that US\$197 billion is lost each year due to absenteeism and lost productivity at work related to alcohol and drug abuse.

Its key technology is aimed at producing drugs which can be administered to addicts by a physician once a month, as opposed to the drugs currently available which require the patient to self-administer once per day. If the patient either intentionally or unintentionally misses one dose, therapy can be rendered ineffective. DAS's products will be controlled by medical practitioners and therefore DAS believes they will promote continuous therapy and overcome patient non-compliance.

In March 2001 Bionex invested US\$300,000 as part of a US\$24.5 million round of financing for DAS, aimed at moving DAS through to its next stage of development. DAS has recently been awarded a US\$5m research grant by the Government of France and is in the process of completing a new round of investment.

EcoSmart Technologies Inc. (“EST”)

Based in Tennessee, USA and founded in 1992, EST's business objective is to become a supplier of environmentally-sound pest control products worldwide.

Bionex invested US\$300,000 in a private round of funding. However, the Directors are now of the opinion that EST may have difficulties remaining in business over the long term and that it is very unlikely that the level of valuation at which the Company invested will be realised. Accordingly on grounds of prudence the Directors have written the investment in EST down to nil in the year ended 30 September 2002.

Morphochem AG (“Morphochem”)

Founded in Munich, Germany in 1996, Morphochem's vision is to create a new evolutionary drug discovery process using chemical genomics to discover and develop next generation therapeutics for

major disease areas. Highly selective therapeutics with minimal side effects are being selected for in-house and partnered development.

In June 2001 Bionex committed to an investment of €300,300 as part of a €15 million financing round at a pre-money valuation of Morphochem of €125 million. An amount equivalent to £93,035, representing deferred consideration for this investment, remains outstanding from Bionex as at the date of this document.

Photo Therapeutics Group Limited (“PTGL”)

PTGL is the new holding company of Photo Therapeutics Limited (“PTL”). PTL, formed in 1997 to exploit Paterson photodynamic therapy technology (“Paterson PDT”), is based in Manchester and in November 2001 raised £12.5 million at a pre-money valuation of £29.7 million in which Bionex purchased £200,000 of shares from Abingdon. Full details are set out in paragraph 5.1 of Part IV - Additional Information of this document. In December 2002 Bionex acquired a further 140,845 shares in PTGL from Abingdon in consideration of the issue of 1,538,461 Ordinary Shares at 3.25p per share. These new shares were issued direct to a nominee of Abingdon's shareholders at the direction of Abingdon, pending the possible sale of such Ordinary Shares on behalf of shareholders in Abingdon who wish to utilise a nil-cost dealing facility for their Ordinary Shares.

The objective of PTL is to improve significantly the cure rate as well as the quality of cure for millions of people worldwide with non-melanoma skin cancer through application of Paterson PDT. PTL equipment specialises in a non-laser light source which was developed with the aim of having the same therapeutic effect as a laser whilst being significantly easier to use, less costly, and without the hazards associated with the use of lasers.

In the medical field, the use of Paterson PDT for the treatment of non-melanoma skin cancers and precursor lesions has been approved by leading private health insurers and NHS Trust hospitals. However, during development of the PTL technology for clinical applications, certain cosmetic benefits were found to accrue to patients without the need for any active chemical agent. In particular, PTL hope to have found that exposure to Paterson PDT for short periods of time will reduce the appearance of wrinkles in the skin.

The original plan of PTL to exploit the technology in the cosmetic market through installing the system in UK beauty salons proved over-optimistic and certain technical problems were encountered with the first units. As a result, the Directors expect PTL to report a loss for the year to December 2002 and therefore the Company has written off 75 per cent. of the cost of its investment in PTGL.

However, PTL has repositioned its business to focus on health clubs and has also completed a redesign of the PDT unit to make it more user friendly. The Directors therefore believe that PTL has both short term prospects of growth in the cosmetic market and long term opportunities in the clinical development of its technology.

Directors and scientific adviser

Details of the Directors and the Company's scientific adviser are set out below.

Directors

Graham Wylie, 53, Chairman and Chief Executive

Graham Wylie is a qualified accountant who has spent the last 20 years specialising in the development of start-up technology companies in the computer and computer peripherals sector. In 1980 he co-founded Immediate Business Systems plc (“IBS”) before bringing it to the Unlisted Securities Market in 1982. IBS developed and marketed the first UK portable computing device

enabling utilities to capture data and print bills onsite. IBS was sold to an American company in 1995 for £5.4 million. In 1991 Graham joined Xaar plc as finance director and became chief executive in 1993, in which capacity he steered the company through successive rounds of venture capital funding, a private placing in 1996 and flotation on the Official List in 1997. Xaar, based in Cambridge, specialises in ink jet printing technology with its technology being licensed to many of the world's leading office equipment companies. Xaar now manufactures a specialised range of ink jet printheads from plants in Cambridge and Sweden. In 2002 Graham became chairman of ART VPS Limited, a 3D computer generated graphics company based in Cambridge. Graham is also a non-executive director of U4EA Limited, an unquoted technology company in the telecommunications sector, and a member of the business mentor programme for the University of Cambridge Entrepreneurship Centre.

Thomas Powell, 31, Finance Director and Company Secretary

Tom Powell qualified as a Chartered Accountant with Coopers & Lybrand in their London office. During his four and a half years at Coopers & Lybrand he audited a wide range of clients in the middle market sector. In 1998 he left to join a client, Card Clear Plc, the AIM-quoted specialist in payment card fraud prevention, as their corporate finance manager. Tom is now group financial controller of Abingdon.

James Noble, 43, Non-executive Director

James Noble is the chief executive officer of Avidex Limited, an unquoted biotechnology company specialising in T Cell Receptor technology. He has over 10 years experience in the biotechnology industry, the first seven as finance director of British Biotech plc and latterly as non-executive director of a range of biotechnology companies including three listed companies: Oxford Glycosciences plc, PowderJect Pharmaceuticals plc and Advanced Medical Solutions Group plc. James has also served on a number of unquoted company boards, including Adprotech Limited, Oxagen Limited, BioVex Limited and Prolifix Limited. Currently he is a director of Oxfordshire Biotechnet Limited.

Prior to his involvement in the biotechnology sector, James spent seven years at Kleinwort Benson, becoming a director in 1990. He previously qualified as a Chartered Accountant with Price Waterhouse in 1983 after graduating from Oxford University in 1980.

Christopher Roberts, 39, Non-executive Director

Chris Roberts is group managing director of Abingdon. Before joining Abingdon in 1996 he spent seven years at MacIntyre Hudson where he qualified as a Chartered Accountant. Chris has served on the board of a number of quoted and unquoted companies and was chief executive of The Evolution Group plc (formerly The eVestment Company Plc) until it acquired Christows Group Limited in November 2000, remaining as group managing director of its private equity division until March 2001.

Dr Geoffrey Vernon, 50, Non-executive Director

Dr Geoffrey Vernon, who was an executive director of Rothschild Asset Management Limited and a partner in the venture capital group Advent Limited, has over 20 years experience in life sciences. He is chairman and/or non-executive director of several public and private companies in the United States, the United Kingdom, Germany, the Republic of Ireland and Israel. These include Morphosys AG, Arrow Therapeutics Limited, Ark Therapeutics Group Limited, XTL Biopharmaceuticals Limited, Peptor Limited, Advanced Medical Solutions Group Plc, Drug Abuse Sciences Incorporated and Ziggus Holdings Limited. Geoffrey is a fellow of the Institute of Directors and one of the first directors in the United Kingdom to be admitted as a Chartered Director. Geoffrey holds a Bachelor of Pharmacy degree as well as a PhD and an MBA.

Scientific adviser

Dr John Gordon, 58, Scientific Adviser

Dr John Gordon is Chairman of Quercus Management Limited and Nurin Limited and has served as a director or adviser with many companies in the life sciences sector including Adprotech Limited, Avidex Limited, BioVex Limited, British Biotech plc, Oxagen Limited, Oxford Glycosciences (UK) Limited, PowderJect Pharmaceuticals plc, Finsbury Life Sciences Investment Trust plc and Sitka Health Fund VCT Plc. Earlier in his career he held senior academic positions at various university laboratories and institutions. He holds PhD and Sc.D. degrees from Cambridge University in experimental pathology.

Warrants and Further Subscription Rights

As at the date of this document the Company has outstanding 20,187,500 2006 Warrants, 20,187,500 2010 Warrants, 13,000,000 2006 Further Subscription Rights and 13,000,000 2010 Further Subscription Rights. In addition, on Admission the Company will issue to W.H. Ireland a warrant to subscribe at 3.25p per Ordinary Share in respect of 4,737,769 Ordinary Shares. Further details of the rights of the holders of Warrants and Further Subscription Rights are provided in paragraphs 3 and 4 of Part IV - Additional Information of this document.

Corporate governance

The Company intends, where practicable for a company of its size and nature, to comply with the main provisions of the Principles Of Good Governance And Code Of Best Practice (“the Combined Code”) which applies to companies whose shares are quoted on the Official List. The Company has appointed three Non-Executive Directors to bring an independent view to the Board and to provide a balance to the Executive Directors.

An audit committee consisting of the Non-Executive Directors has been established to operate with effect from Admission. The audit committee will be chaired by Chris Roberts. It will meet at least twice a year and will be responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the accounts and internal control systems.

In addition, a remuneration committee consisting of the Non-Executive Directors has been established to operate with effect from Admission. The remuneration committee will be chaired by Chris Roberts. It will meet at least twice a year and will be responsible for reviewing the performance of the Executive Directors and other senior executives and for determining appropriate levels of remuneration.

The Company has adopted and will operate a share dealing code for Directors and relevant employees on the same terms as were previously set out in the London Stock Exchange Model Code for companies whose shares have been admitted to AIM.

The Board has also considered the guidance published by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal control requirements of the Combined Code. In line with the Turnbull Report, the Board intends regularly to review key business risks in addition to the financial risks facing the Company in the operation of its business.

Employees

As at the date of this document, the Company has two Executive Directors and no other employees.

Financial information

The table below summarises the trading results of the Company from incorporation for the 17-month period ended 30 September 2001 and the year ended 30 September 2002. The information has been extracted from the accountants' report set out in Part III - Financial Information of this document.

	17 month period to 30 September 2001	Year to 30 September 2002
	£	£
Management expenses	(81,564)	(58,222)
Loss on ordinary activities before interest	(81,564)	(415,811)
Loss for period	(58,111)	(390,407)

As at 30 September 2002 the Company had net assets of £1,975,838 (2001: £1,970,705).

Current trading and prospects

Since December 2000 the Company has made nine investments, one of which has now been sold, and the Board will continue (including during the 12 months following Admission) to review further investment opportunities. The Directors believe that the future prospects of the Company will be dependent on the successful implementation of the Company's investment strategy set out above.

Dividend policy

The Directors' current intention is to seek to maximise capital growth and the Directors therefore do not intend to pay a dividend for the foreseeable future.

Reasons for Admission

The Directors believe that, in view of the fact that the Company will have up to 1,471 shareholders, the time is right to apply to have the Ordinary Shares admitted to trading on AIM. This will, the Directors believe, provide shareholders with a market on which to trade the Ordinary Shares whilst also raising the public profile of the Company and enhancing its ability to raise further capital in the future.

Lock-in agreements

The aggregate interests of the Directors in Ordinary Shares will amount to 6,891,196 Ordinary Shares, representing 4.36 per cent. of the issued share capital of the Company immediately following Admission. In accordance with Rule 7 of the AIM Rules, each Director has undertaken with the Company and with W.H. Ireland that neither he nor his connected persons (as defined in the Act) shall dispose of any interest in Ordinary Shares registered in their names immediately following Admission for a period of one year from Admission. Furthermore, each Director has undertaken with the Company and with W.H. Ireland that for a period of one year commencing with the first anniversary of Admission neither he nor his connected persons shall dispose of any interest in such Ordinary Shares without the prior consent of W.H. Ireland or the Company's broker from time to time, such consent not to be unreasonably withheld or delayed.

Newbourne is currently the holder of 16,666,667 Ordinary Shares. This represents approximately 10.55 per cent. of the issued share capital of Bionex immediately following Admission. As it holds more than 10 per cent. of the issued share capital of Bionex, Newbourne is deemed to be a related party to Bionex and so would normally be prohibited under the AIM Rules from disposing of its

Ordinary Shares for a period of 12 months from Admission. However, Newbourne is in the process of being wound up (as a result of which its holding of Ordinary Shares will be transferred to Newbourne's shareholders) and, on that basis, the London Stock Exchange has agreed that Rule 7 of the AIM Rules will not prevent Newbourne from transferring Ordinary Shares to its shareholders as part of the winding up process.

CREST

The Directors intend to apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

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

PART II – RISK FACTORS

In addition to the other information set out in this document, the following specific risk factors should be considered carefully in evaluating whether to make an investment in the Company. If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of its shares could decline and investors may lose all or part of their investment.

An investment in the Company may not be suitable for all recipients of this document. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Those risk factors which should be taken into account in assessing the Company's activities and the suitability of any investment in the Company are not necessarily limited to the matters set out below.

Performance and realisation of investments made

The investment strategy of the Company is to focus on investments in the shares of smaller, unquoted companies. Such companies frequently lack the financial strength, diversity and resources to overcome or survive periods of economic slowdown or recession. Whilst investing through an investment company, such as the Company, may be expected to spread the risk of investing in particular companies, the value of companies in the biotechnology and life sciences sector is particularly subject to changes in sentiment towards the sector. The potential exists for substantial movements, downwards as well as upwards, in the valuations of companies within this sector. Whilst investment in unquoted companies may offer the potential for high returns there is also likely to be a higher level of risk than would be associated with an investment in a company quoted on a Recognised Investment Exchange.

The realisation of investments in unquoted companies is, for commercial reasons, likely to be more difficult than the realisation of investments in companies quoted on a Recognised Investment Exchange. In addition, certain legal restrictions may also limit the Company's ability to realise a particular investment at any given time.

In the opinion of the Directors, the current climate for IPOs in the life sciences sector in the UK is poor.

Investee Companies

In general, the companies in which the Company has invested and may invest in the future are or will be dependent for their success on the development of certain technologies. Furthermore, such technologies may require to be underpinned by appropriate intellectual property rights or regulatory consents if substantial benefit from them is to accrue to the Investee Companies. There can be no guarantee that such technology will be satisfactorily developed or that the relevant intellectual property rights or regulatory consents will be available to the Investee Companies or that, if obtained, they will not subsequently be successfully challenged, suspended, restricted or withdrawn.

Limited trading history

Bionex has a limited trading history and it is therefore difficult to evaluate the Company's business and future prospects. The future success of the Company is dependent on the Directors' ability to

implement its strategy. Whilst the Directors are optimistic about the Company's prospects, there is no certainty that anticipated outcomes will be achieved.

Future developments

The business of the Company is dependent on suitable companies being identified for investment. In the event of a change in the economic or political climate, such companies may not be available or of the quality or in the number required to satisfy the Company's requirements.

Regulatory status

The management of the Company and its future investments are not being undertaken by an entity regulated by any of the established financial services sector regulatory organisations.

Areas of investment risk

The Ordinary Shares are to be admitted to trading on AIM and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List or to any other Recognised Investment Exchange. The rules of AIM are less demanding than those of the Official List. Furthermore, although the Ordinary Shares are to be admitted to trading on AIM this should not be taken as implying that there will be a liquid market in the Ordinary Shares. Investors should also be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Company and others of which may be extraneous.

Dependence on key personnel

The success of the Company depends in large part on the expertise of the Directors in identifying suitable investments. The loss of the services of any of the Directors may have a materially adverse effect upon the Company's future. Whilst the Company has entered into employment contracts with the Executive Directors, the retention of their services cannot be guaranteed.

General

The risks noted above do not necessarily comprise all of those faced by the Company and are not intended to be presented in any assumed order of priority.

PART III – FINANCIAL INFORMATION

ChantreyVellacottDFK



The Directors
Bionex Investments plc
223a Kensington High Street
London
W8 6SG

The Directors
W.H. Ireland Limited
11 St James's Square
Manchester
M2 6WH

17 January 2003

Dear Sirs

BIONEX INVESTMENTS PLC (“Bionex”) or (the “Company”)

Introduction

We report on the financial information set out below. The financial information has been prepared for inclusion in the Company’s admission document dated 17 January 2003 in connection with the proposed admission of all the issued and to be issued ordinary shares in the Company to trading on the Alternative Investment Market of London Stock Exchange plc (“AIM”), (the “Admission Document”).

Incorporation and share capital

The Company was incorporated as a public limited company in England and Wales on 11 May 2000 with registered number 3995223 and an authorised share capital of £5,000,000 comprising 500,000,000 ordinary shares of 1p each.

2 ordinary shares of 1p each were issued to the subscribers to the Memorandum of Association on incorporation, nil paid.

On 23 May 2000, 1,999,998 ordinary shares of 1p each were allotted for cash at 2.5p per share.

On 21 December 2000, the authorised share capital was increased to £7,500,000 by the creation of a further 250,000,000 ordinary shares of 1p each.

On 7 February 2001, 6,375,000 A units, and 13,600,000 B units, were allotted for cash at 10p per unit.

One ‘A’ unit comprises four ordinary shares, four warrants and four further subscription rights.

One 'B' unit comprises four ordinary shares and one warrant.

At the same time, 875,000 warrants and 500,000 further subscription rights were issued to the existing shareholders.

On 20 April 2001, 600,000 ordinary shares of 1p each were allotted and issued for cash at 2.5p per share together with 150,000 warrants.

On 7 June 2001, 1,000,000 ordinary shares of 1p each were allotted and issued for cash at 2.5p together with 250,000 warrants.

Each of the warrants entitled the holder to subscribe for one ordinary share of 1p at 2.5p at any time before 31 December 2010. However, on 8 January 2003, 20,187,500 of the warrants were adjusted to be warrants to subscribe for one ordinary share of 1p at 2.5p per share at any time before 31 December 2006 ("2006 Warrants") and the remaining 20,187,500 warrants were adjusted to be warrants to subscribe for one ordinary share of 1p at 2.5p per share in the period commencing on 1 January 2007 and ending on 31 December 2010 ("2010 Warrants").

Each of the further subscription rights entitled the holder to subscribe for one ordinary share of 1p at 2.5p at any time before 31 December 2010 and to be issued with two warrants for each ordinary share so subscribed for. However, on 8 January 2003, 13,000,000 of the further subscription rights were each adjusted to be a right entitling the holder to subscribe for one ordinary share of 1p at 2.5p per share at any time before 31 December 2006 and to be issued with two 2006 Warrants for each ordinary share so subscribed for and the remaining 13,000,000 further subscription rights were each adjusted to be a right entitling the holder to subscribe for one ordinary share at 2.5p per share at any time in the period commencing on 1 January 2007 and ending on 31 December 2010 and to be issued with two 2010 Warrants for each ordinary share so subscribed for.

On 25 April 2002, 14,066,660 ordinary shares of 1p each were allotted and issued for cash at 3p per share.

On 5 December 2002, 16,666,667 ordinary shares of 1p each were allotted and issued for cash at 3p per share.

On 19 December 2002, 43,076,923 ordinary shares of 1p each were allotted and issued for shares in Ark Therapeutics Group Limited and Photo Therapeutics Group Limited at 3.25p per share.

Basis of preparation

The financial information set out below is based on the audited financial statements of Bionex for the period ended 30 September 2001 and the year ended 30 September 2002, to which no adjustments were considered necessary.

No dividends have been proposed or paid.

Responsibility

The above mentioned financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

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

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 September 2001 and 30 September 2002 and its results and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995 (as amended).

Profit and loss account for the periods ended 30 September:

	Notes	2001 £	2002 £
Management expenses		(81,564)	(58,222)
Investment provision	6	-	(357,589)
Loss on ordinary activities before interest	2	(81,564)	(415,811)
Interest receivable and similar income	5	23,453	25,404
Loss on ordinary activities before taxation		(58,111)	(390,407)
Taxation		-	-
Loss for period	10	(58,111)	(390,407)

Balance sheet as at 30 September:

	Notes	2001 £	2002 £
Fixed assets			
Investments	6	<u>1,407,745</u>	<u>1,200,156</u>
Current assets			
Debtors	7	-	3,230
Cash at bank and in hand		<u>853,872</u>	<u>877,241</u>
		853,872	880,471
Creditors: amounts falling due within one year	8	<u>(290,912)</u>	<u>(104,789)</u>
Net current assets		<u>562,960</u>	<u>775,682</u>
Net assets		<u>1,970,705</u>	<u>1,975,838</u>
Capital and reserves			
Called up share capital	9	835,000	975,667
Share premium account	10	1,193,816	1,448,689
Profit and loss account	10	<u>(58,111)</u>	<u>(448,518)</u>
Equity shareholders' funds	11	<u>1,970,705</u>	<u>1,975,838</u>

Cash flow statement for the periods ended 30 September:

Operating activities

	2001 £	2002 £
Operating loss	(81,564)	(58,222)
(Increase) in debtors	-	(3,230)
Increase/(decrease) in creditors	22,314	(10,560)
(Profit) from the sale of fixed asset investments	-	(48,611)
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(59,250)	(120,623)

Returns on investments and servicing of finance

Interest received	23,453	25,404
	<hr/>	<hr/>

Capital expenditure and financial investment

Investments acquired	(1,139,147)	(525,563)
Receipt from disposal of investments	-	248,611
	<hr/>	<hr/>
	(1,139,147)	(276,952)

Financing

Issue of ordinary share capital	2,028,816	395,540
	<hr/>	<hr/>
Increase in cash for the period	<u>853,872</u>	<u>23,369</u>

Analysis of changes in net funds

	1 May 2000 £	Cash flow £	30 September 2001 £
Cash at bank and in hand	-	853,872	853,872
	<hr/>	<hr/>	<hr/>

	1 October 2001 £	Cash flow £	30 September 2002 £
Cash at bank and in hand	853,872	23,369	877,241
	<hr/>	<hr/>	<hr/>

Reconciliation of net cash flow to movement in net funds

	2001 £	2002 £
Increase in cash for the period	853,872	23,369
Movement in net funds in the period	853,872	23,369
Net funds at 11 May 2000, 1 October 2001	-	853,872
Net funds at 30 September 2001, 2002	853,872	877,241

Notes to the financial information

1. Principal accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and are prepared in accordance with applicable accounting standards.

Turnover

Turnover represents income from fixed asset investments.

Investments

Investments are valued at cost or market value, if lower, where it is considered there has been a permanent diminution in value.

2.	Loss on ordinary activities before interest	2001 £	2002 £
	This is stated after charging:		
	Auditors' remuneration - audit services	2,500	3,800
	- non audit services	9,000	2,469
	Profit on sale of fixed asset investments	-	48,611
		<u> </u>	<u> </u>
3.	Employees		
	The weekly average number of employees during the period, including executive directors, was 2.		
4.	Directors' emoluments	2001 £	2002 £
	Management remuneration	15,000	60,100
		<u> </u>	<u> </u>
5.	Interest receivable and similar income	2001 £	2002 £
	Bank interest	19,552	24,850
	Other interest	3,901	554
		<u> </u>	<u> </u>
		23,453	25,404
		<u> </u>	<u> </u>

6. Investments	Unlisted
	£
Cost	
At 11 May 2000	-
Additions	<u>1,407,745</u>
At 30 September 2001	1,407,745
Additions	350,000
Disposals	<u>(200,000)</u>
At 30 September 2002	<u>1,557,745</u>
Provisions	
At 11 May 2000 and 30 September 2001	-
Movement in year	<u>357,589</u>
At 30 September 2002	<u>357,589</u>
Net book value	
30 September 2002	<u>1,200,156</u>
30 September 2001	<u>1,407,745</u>

Unlisted investments include shares in companies traded on AIM.

7. Debtors	2001	2002
	£	£
Other debtors	-	1,655
Prepayments	<u>-</u>	<u>1,575</u>
	<u>-</u>	<u>3,230</u>
8. Creditors: amounts falling due within one year	2001	2002
	£	£
Trade creditors	22,314	11,754
Other creditors	268,598	93,035
	<u>290,912</u>	<u>104,789</u>

Other creditors comprise deferred consideration on fixed asset investments.

9.	Share capital	2001	2002
		£	£
	Allotted, called up and fully paid		
	83,500,000, 97,566,660 ordinary shares of 1p each	835,000	975,667
		<u> </u>	<u> </u>
	Authorised		
	750,000,000 ordinary shares of 1p each	7,500,000	7,500,000
		<u> </u>	<u> </u>

At 30 September 2002, there were 40,375,000 warrants in issue, each giving the holder the right to subscribe for one ordinary share of 1p at 2.5p at any time up to 31 December 2010. However, on 8 January 2003, 20,187,500 of the warrants were adjusted to be warrants to subscribe for one ordinary share of 1p at 2.5p per share at any time before 31 December 2006 (“2006 Warrants”) and the remaining 20,187,500 warrants were adjusted to be warrants to subscribe for one ordinary share of 1p at 2.5p per share in the period commencing on 1 January 2007 and ending on 31 December 2010 (“2010 Warrants”).

At 30 September 2002, there were 26,000,000 further subscription rights in issue, each giving the holder the right to subscribe for one ordinary share of 1p at 2.5p at any time up to 31 December 2010 and to be issued with two warrants, as set out above for each ordinary share so subscribed for. However, on 8 January 2003, 13,000,000 of the further subscription rights were each adjusted to be a right entitling the holder to subscribe for one ordinary share of 1p at 2.5p per share at any time before 31 December 2006 and to be issued with two 2006 Warrants for each ordinary share so subscribed for and the remaining 13,000,000 further subscription rights were each adjusted to be a right entitling the holder to subscribe for one ordinary share at 2.5p per share at any time in the period commencing on 1 January 2007 and ending on 31 December 2010 and to be issued with two 2010 Warrants for each ordinary share so subscribed for.

10.	Reserves	Profit and loss account	Share premium account
		£	£
	At 11 May 2000	-	-
	Retained loss for the period	(58,111)	-
	Premium on shares issued in the period	-	1,193,816
		<u> </u>	<u> </u>
	At 30 September 2001	(58,111)	1,193,816
	Retained loss for the period	(390,407)	-
	Premium on shares issued in the year	-	254,873
		<u> </u>	<u> </u>
	At 30 September 2002	(448,518)	1,448,689
		<u> </u>	<u> </u>

11. Reconciliation of movements in shareholders' funds	2001 £	2002 £
Loss for the period	(58,111)	(390,407)
Issue of shares	2,028,816	395,540
Net additions to shareholders' funds	<u>1,970,705</u>	<u>5,133</u>
Opening shareholders' funds	-	1,970,705
Closing shareholders' funds	<u><u>1,970,705</u></u>	<u><u>1,975,838</u></u>

Yours faithfully

CHANTREY VELLACOTT DFK
Chartered Accountants
Registered Auditors

PART IV - ADDITIONAL INFORMATION

1. The Company and its share capital

- 1.1 The Company was incorporated in England and Wales as Bionex Investments plc on 11 May 2000 under registered number 3995223 as a public limited company with limited liability under the Act and was granted a Certificate of Entitlement to do Business and Borrow on 3 July 2000.
- 1.2 The main objects of the Company as set out in clause 4 of its Memorandum of Association are to carry on business as an investment company and as a general commercial company.
- 1.3 The liability of the holder of shares is limited to the amount paid up or to be paid up on such shares.
- 1.4 The authorised share capital of the Company is £7,500,000 divided into 750,000,000 ordinary shares of 1p each.
- 1.5 Section 89(1) of the Act (to the extent not disapplied) confers on holders of Ordinary Shares rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash otherwise than to employees under employee share schemes. Section 89(1) provides that no equity securities may be allotted unless the Company has made an offer in writing, stating a period of not less than 21 days during which it may be accepted, to the holders of the existing Ordinary Shares to allot to them on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion held by them of the aggregate of the existing Ordinary Shares.
- 1.6 On 22 November 2002 the Directors were unconditionally authorised, pursuant to section 80 of the Act (in substitution for all previous powers granted thereunder), to allot relevant securities (as defined in that Section) for £6,524,333.40, such authority and power to expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2003 or 31 December 2003 but so that the Company may before such expiry make an offer or agreement which would, or might, require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares in pursuance of such offer or agreement as if such authority had not expired.

On 22 November 2002 the Directors were unconditionally empowered in accordance with section 95 of the Act (in substitution for all previous powers granted thereunder) to allot equity securities (as defined in Section 94 of the Act) as if section 89(1) of the Act did not apply to any such allotment in the following circumstances:

- 1.6.1 the allotment of Ordinary Shares on a rights issue or other pre-emptive basis;
- 1.6.2 the allotment of up to 40,337,500 Ordinary Shares on the full exercise of 40,337,500 warrants already issued by the Company;
- 1.6.3 the allotment of up to 26,000,000 Ordinary Shares on the full exercise of the 26,000,000 further subscription rights already issued by the Company, and the issue of up to 52,000,000 warrants on the full exercise of such further subscription rights and the allotment of 52,000,000 Ordinary Shares on the full exercise of the warrants issued on the full exercise of such further subscription rights; and
- 1.6.4 the allotment of up to 85,000,000 Ordinary Shares generally;

such authority and power to expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2003 or 31 December 2003, but so that the Company may, before such expiry, make any offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and that the Directors may allot Ordinary Shares in pursuance of any such offer or agreement as if such authority had not expired.

- 1.7 On 23 May 2000, 1,999,998 Ordinary Shares were allotted and issued to James Noble in cash at 2.5p per Ordinary Share payable as to 0.625p per share on allotment and the balance of 1.875 per Ordinary Share payable at such time or times as the Directors may determine thereafter and the two Ordinary Shares, being the subscriber shares, were paid up as to 0.25p per share and transferred one to James Noble and one to Joanne Catherine Noble. On 21 December 2000 the Company and James Noble entered an agreement with a view to putting Mr. Noble in the position that he would have been in if he had subscribed for 125,000 units ("A Units"), each comprising four Ordinary Shares, four Old Warrants and four Old Further Subscription Rights, and 375,000 units ("B Units"), each comprising four Ordinary Shares and one Old Warrant. In the agreement Mr. Noble agreed to pay £37,500 to the Company (being the balance of 1.875p per Ordinary Share owing to the Company in respect of the Ordinary Shares issued to him on 23 May 2000 plus 2.25p in respect of both the subscriber shares) immediately after the Company had issued units pursuant to the offer of A Units and the offer of B Units with an aggregate subscription price equal to the sum of the minimum subscriptions under the offer of A Units and the offer of B Units. In the agreement the Company also agreed to issue 875,000 Old Warrants and 500,000 Old Further Subscription Rights to Mr. Noble immediately following the making by Mr. Noble of the payment of £37,500 referred to above. The terms of this agreement were performed following the closing of the offer of A Units and the offer of B Units.
- 1.8 On 2 February 2001 the Company issued 25,500,000 Ordinary Shares, 25,500,000 Warrants and 25,500,000 Further Subscription Rights under the A Offer and 54,400,000 Ordinary Shares and 13,600,000 Warrants under the B Offer.
- 1.9 On 20 April 2001 the Company issued 600,000 Ordinary Shares and 150,000 Warrants to Dr John Gordon.
- 1.10 On 7 June 2001 the Company issued 1,000,000 Ordinary Shares and 250,000 Warrants to Dr Kevin Wilson.
- 1.11 On 25 April 2002 the Company issued 14,066,660 Ordinary Shares to certain investors pursuant to a private placing.
- 1.12 On 5 December 2002 the Company issued 16,666,667 Ordinary Shares to Newbourne.
- 1.13 On 19 December 2002 the Company issued a total of 43,076,923 Ordinary Shares to the nominee of certain shareholders in Abingdon at the direction of Abingdon pursuant to the agreement described in paragraph 5.4 of this Part IV whereby the Company acquired from Abingdon shares in Ark Therapeutics Group Limited ("Ark Group") and Photo Therapeutics Group Limited ("PTGL").
- 1.14 With effect from 8 January 2003, certain changes were made to the terms of the Warrants and Further Subscription Rights, as set out in paragraphs 3 and 4 of this Part IV.
- 1.15 As at the date of this document and following the issue of 615,384 Ordinary Shares to W.H Ireland as part of the consideration for their services with respect to the Admission, the Company's authorised and issued share capital immediately following Admission is as follows:

	<i>Authorised Ordinary Shares</i>	<i>Issued, fully paid Ordinary Shares</i>	<i>2006 Warrants</i>	<i>2010 Warrants</i>	<i>W.H. Ireland Warrant</i>	<i>2006 FSRs</i>	<i>2010 FSRs</i>
Ordinary Shares	750,000,000	157,925,634	20,187,500	20,187,500	4,737,769	13,000,000	13,000,000

- 1.16 Save for the 2006 Warrants, 2010 Warrants, the W.H. Ireland Warrant, the 2006 Further Subscription Rights and the 2010 Further Subscription Rights listed in the table in paragraph 1.15 above, no share capital of the Company is under option or agreed conditionally or otherwise to be put under option.
- 1.17 The Directors may refuse to register the transfer of a share unless:
- 1.17.1 it is lodged at the registered office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- 1.17.2 it is in respect of only one class of share; and
- 1.17.3 it is in favour of not more than four transferees.
- 1.18 On a show of hands every holder of Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every holder of Ordinary Shares shall have one vote for every Ordinary Share of which he is the holder.
- 1.19 Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors. Subject to the provisions of the Act, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 1.20 On a winding up or other return of capital the surplus assets of the Company available for distribution shall be applied:
- First* in paying to the holders of the Ordinary Shares the amounts paid up or credited as paid up on such shares together with any premium paid or credited as paid on the issue of such shares; and
- Secondly* in distributing the balance amongst the holders of the Ordinary Shares in proportion to the amounts paid up or credited as paid up on the Ordinary Shares held by them.
- 1.21 If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide among the members *in specie* the whole or any part of the assets of the Company.
- 1.22 The Company may purchase its own shares in any manner authorised by the Act subject to prior authority of the Company in general meeting and the consent of the holders of any

outstanding Warrants or Further Subscription Rights.

1.23 All of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders or of the shares of that class. At every such separate general meeting, except an adjourned meeting, the quorum is two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

1.24 So far as the Directors are aware there are no persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

2. Directors' and other interests

2.1 The interests of the Directors or (as far as they are aware) persons connected with them within the meaning of section 346 of the Act) in the issued share capital (all of which are beneficial) of the Company as at the date of this document are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital following Admission</i>
Graham Wylie	2,766,666	1.75
Christopher Roberts (1)	278,932	0.18
James Noble (1)	2,278,932	1.44
Dr Geoffrey Vernon	1,566,666	0.99
Thomas Powell	Nil	Nil

Note:

(1) Christopher Roberts and James Noble are shareholders of Newbourne and are therefore expected to receive additional Ordinary Shares following the winding-up of Newbourne as further described in Part I - Introduction of this document.

2.2 The interests of the Directors or (as far as they are aware) persons connected with them within the meaning of section 346 of the Act in 2006 Warrants and 2010 Warrants (all of which are beneficial) as at the date of this document are as follows:

<i>Name</i>	<i>Number of 2006 Warrants</i>	<i>Number of 2010 Warrants</i>
Graham Wylie	925,000	925,000
Christopher Roberts	Nil	Nil
James Noble	437,500	437,500
Dr Geoffrey Vernon	375,000	375,000
Thomas Powell	Nil	Nil

2.3 The interests of the Directors or (as far as they are aware) persons connected with them within the meaning of section 346 of the Act in 2006 Further Subscription Rights and 2010 Further Subscription Rights (all of which are beneficial) as at the date of this document are as follows:

<i>Name</i>	<i>Number of 2006 Further Subscription Rights</i>	<i>Number of 2010 Further Subscription Rights</i>
Graham Wylie	800,000	800,000
Christopher Roberts	Nil	Nil
James Noble	250,000	250,000
Dr Geoffrey Vernon	250,000	250,000
Thomas Powell	Nil	Nil

2.4 Other than disclosed above, none of the Directors has any interests in the share capital of the Company.

2.5 In addition to the holdings of the Directors above, the following hold more than 3 per cent. of the issued share capital of the Company as at 15 January 2003 (being the latest practicable date prior to the publication of this document):

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital held following Admission</i>	<i>Number of 2006 Warrants</i>	<i>Number of 2010 Warrants</i>	<i>Number of 2006 FSRs</i>	<i>Number of 2010 FSRs</i>
Newbourne Pershing Keen	16,666,667	10.55	Nil	Nil	Nil	Nil
Nominees Limited BioProjects	12,046,853 (1)	7.63	500,000	500,000	Nil	Nil
International Plc	10,000,000	6.33	1,250,000	1,250,000	Nil	Nil
Twenty/Twenty L.P.	8,000,000	5.07	1,000,000	1,000,000	Nil	Nil
Thurloe Holdings Limited	6,141,865 (1)	3.89	Nil	Nil	Nil	Nil
St Clements Lane Investments Limited	6,063,544 (1)	3.84	Nil	Nil	Nil	Nil
Symphony Investment Holdings Limited	5,979,327 (1)	3.79	Nil	Nil	Nil	Nil
Tom Vaughan	5,883,426 (1)	3.73	850,000	850,000	550,000	550,000
Oliver Vaughan	5,568,865 (1)	3.53	300,000	300,000	20,000	20,000
Edward Vandyk	5,185,825 (1)	3.28	Nil	Nil	Nil	Nil

Note:

(1) Some of these shares are registered in the name of Capita IRG Trustees Limited, which holds such shares as nominee. The use of a nominee allows the shareholders in Abingdon to utilise a nil-cost dealing facility for their Ordinary Shares which is to be provided by Abingdon. As at the date of this document (being prior to the implementation of such dealing facility), Capita IRG Trustees Limited hold 71,410,256 Ordinary Shares representing 45.22 per cent. of the issued share capital of the Company.

2.6 The following are particulars of the Directors' letters of appointment or service agreements with the Company:

2.6.1 On 25 October 2002 Graham Wylie entered into a service contract with the Company in which he agreed to act as Chairman and Chief Executive of the Company. He is entitled to receive an annual salary of £60,000. His appointment is on a part-time basis and is terminable by either party on six months notice;

- 2.6.2 On 25 October 2002 Tom Powell entered into a service contract with the Company in which he agreed to act as finance director of the Company. He is entitled to receive an annual salary of £10,000. His appointment is on a part-time basis and is terminable by either party on six months notice;
- 2.6.3 On 25 October 2002 James Noble entered into a letter of appointment with the Company regarding his continued appointment as a non-executive director of the Company. He is entitled to receive annual fees of £10,000. His appointment is terminable by either party on six months notice;
- 2.6.4 On 25 October 2002 Christopher Roberts entered into a letter of appointment with the Company regarding his continued appointment as a non-executive director of the Company. His appointment is terminable by either party on six months notice;
- 2.6.5 On 25 October 2002 Dr Geoffrey Vernon entered into a letter of appointment with the Company regarding his continued appointment as a non-executive director of the Company. He is entitled to receive annual fees of £2,000. His appointment is terminable by either party on six months notice.
- 2.6.6 On 26 November 2002 the Company entered into a letter agreement with Ziggus Holdings Limited ("Ziggus"), a company owned and controlled by Dr Geoffrey Vernon, in which Ziggus agreed to provide consultancy services including, but not limited to, strategic and human resource consulting to the Company for a fee of £8,000 plus VAT per annum. The agreement is for an initial fixed term of 12 months from 1 October 2002 and is terminable in writing with immediate effect at the expiry of that fixed term.
- 2.7 The aggregate amount payable and benefits in kind to be granted to the Directors for the period of 12 months ended 30 September 2002 was £60,100. The aggregate amount payable and benefits in kind to be granted to the Directors for the period of 12 months ending 30 September 2003, under the arrangements in force at the date hereof, are estimated to be £82,000.
- 2.8 The Directors currently hold the following directorships and partnerships and have held the following directorships or partnerships within the five years prior to the publication of this document:

Name	Current Directorships	Past Directorships
Graham Thomas Wylie	ART VPS Limited U4EA Limited	Xaar plc Xaar Digital Limited Xaar Technology Limited Xaar Trustee Limited Xaarjet Limited
Thomas St. George Powell	Hewstone Limited Mountcashel Limited Mountcashel Management Limited	Boss Construction Limited

Name	Current Directorships	Past Directorships
Andrew Christopher Roberts	Abingdon Capital Plc Elite Strategies Plc Flabitech Limited Hewstone Limited Kontona Limited M&P Direct Plc Mountcashel Employees Trustees Limited Mountcashel Management Limited Mulberry Group Plc Nanosciences Plc Pallola Limited Rosseau Plc	4HighTech.com Incorporated Aromview Limited Corporate Synergy Plc Ebop Limited (Dissolved) Ebop Media Plc (Dissolved) EighteenGlobal Incorporated (Insolvent liquidation) Evolution Capital Investment Limited Evolution Capital Limited Equology (Holdings) Limited (Liquidation) Izodia Plc Kapok 2050 Limited Kelso Place Asset Management Limited Marine Force Limited (Administrative Receiver) Mountcashel Limited Newbourne Plc Northacre Plc Oxford Nanotechnology Limited (Dissolved) The Evolution Group Plc UNICA Communications Limited (Administration Order) Yachtinggateway.com Limited
Geoffrey Nicholas Vernon	Advanced Medical Solutions Group Plc Ark Therapeutics Group Limited Arrow Therapeutics Limited Bioniche Pharma Group Limited Drug Abuse Sciences Incorporated Medisys Plc Morphosys AG Peptor Limited Talia Technology Limited XTL Biopharmaceuticals Limited Ziggus Holdings Limited Ziggus Limited	Becker Underwood Limited Bion Incorporated Biotrin Holdings Limited Biovector Therapeutics SA Capteur Sensors and Analysers Limited Contec Medical Limited DeveloGen AG Intelligene Limited Intercell AG Morphochem AG Oxford Glycosciences Plc Oxford Glycosciences (UK) Limited Rothschild Asset Management Limited Synomics Limited The Microbio Group Limited

Name	Current Directorships	Past Directorships
James Julian Noble	Avidex Limited Oxfordshire Biotechnet Limited	Adprotech Limited Advanced Medical Solutions Group Plc Anthra Incorporated BioVex Limited Nurin Limited Oxagen Limited Oxford Glycosciences (UK) Limited Oxford Glycosciences Plc Oxford Nanotechnology Limited (Dissolved) PAA GmbH PowderJect Pharmaceuticals Plc Prolifix Limited RSVPi Limited

2.9 Save in respect of Graham Wylie's directorship of companies in the Sigma group (as set out in paragraph 2.10 of this Part IV), James Noble's directorship of British Biotech plc, Geoffrey Vernon's non-executive directorship of Neurotech Limited, and Chris Roberts' directorships of Ebop Media plc, Ebop Limited, Marine Force Limited and Unica Communications Limited (details of which are set out below), no Director has:

- 2.9.1 been a partner in any partnership in the previous five years;
- 2.9.2 any unspent convictions in relation to indictable offences;
- 2.9.3 been declared bankrupt or has been the subject of an individual voluntary arrangement;
- 2.9.4 been a director of any company at the time of or within twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or composition or arrangement with the creditors of such company;
- 2.9.5 been a partner at the time of or within twelve months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- 2.9.6 been a director of any company or a partner in any partnership, any asset of which has been placed into receivership within twelve months after he ceased to be a director of that company or partner of that partnership; or
- 2.9.7 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) and no Director has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

2.10 Graham Wylie was finance director of companies in the Sigma group (Sigma Limited, Sigma Metrology Limited, Sigma Corporation Limited, Melville Technologies Limited, HEE Realisations Limited, Selgace Realisations Limited, Tenro Realisations Limited and SCL Realisations Limited) which went into receivership on 19 September 1990. HEE Realisations Limited and Selgace Realisations Limited went into liquidation on 9 March 1993 and 6 April 1993 respectively. The shortfall to creditors in respect of the companies in this group was

£1,881,000.

- 2.11 On 10 June 1999, the U.S. Securities and Exchange Commission ("the SEC") completed an inquiry relating to two press announcements issued by British Biotech Plc in 1995 and 1996 while Mr Noble was its finance director. The SEC then filed an administrative complaint that those announcements and related periodic reports filed with the SEC were inaccurate and omitted to state material facts necessary to make the statements made therein not misleading. Under a final settlement reached with the SEC in June 1999, British Biotech Plc and three of its then directors including Mr Noble agreed to the entry of an administrative order to continue to adhere to U.S. securities laws. While the order found that the three former directors had violated the U.S. securities laws, the settlement involved no admission or denial by either British Biotech Plc or the three former directors of the SEC's allegations.
- 2.12 Geoffrey Vernon was appointed as a non-executive director of Neurotech Limited (a company incorporated in England and Wales under company number 1934089) on 3 May 1988 and had not resigned as at the date an administrative receiver was appointed to that company on 21 February 1990. Neurotech Limited was a portfolio company of one of the Advent venture capital funds. The estimated total deficiency regarding creditors of Neurotech Limited was £706,123 and the company was dissolved on 12 October 1993. No action has been or is expected by Dr Vernon to be taken against him in this regard.
- 2.13 Christopher Roberts was a non-executive director (representing The Evolution Group plc) of Ebop Media plc and Ebop Limited which went into liquidation on 19 December 2000, with estimated deficiencies to creditors of £209,336 and £2,038,958 respectively. Both companies are now dissolved. Christopher Roberts is also a non-executive director of Unica Communications Limited (representing The Evolution Group plc), to which an administrative receiver was appointed on 9 February 2001. The estimated deficiency as regards to non-preferential creditors was £799,000. Christopher Roberts was also a non-executive director (representing The Evolution Group plc) of EighteenGlobal Incorporated which was placed in insolvent liquidation (pursuant to chapter 7 of the United States Federal Bankruptcy Code) during 2002. The deficiency to creditors has not yet been established. Christopher Roberts was also a non-executive director of Marine Force Limited (representing Oliver Vaughan), to which an administrative receiver was appointed on 26 September 2002. The deficiency to creditors has not yet been established.

3. Terms of the Warrants

The Warrants were all issued as Old Warrants pursuant to a warrant instrument dated 21 December 2000. On 20 April 2001 a supplemental warrant instrument was executed by the Company increasing the maximum number of Old Warrants that may be issued by the Company to 95,000,000 Old Warrants, but leaving the terms of the Old Warrants unaltered. The Old Warrants were exercisable at any time before 31 December 2010. On Admission, the terms of the Old Warrants were, pursuant to an extraordinary resolution of the holders of Old Warrants passed on 8 January 2003, varied so that they formed two new classes of warrant having identical terms to the Old Warrants save that one class (the 2006 Warrants) are exercisable at any time up to 31 December 2006 and the other class (the 2010 Warrants) are exercisable in the period commencing on 1 January 2007 and ending on 31 December 2010.

Such Warrants in issue as at the date of this document give the Warrant holders collectively the right to subscribe for 40,375,000 Ordinary Shares at a subscription price of 2.5p per Ordinary Share (of which 20,187,500 are 2006 Warrants and 20,187,500 are 2010 Warrants). The Warrants are freely transferable. The Warrants may be exercised in whole or in part at any time during their respective exercise periods. Exercise is by notice in writing lodged at the Company's registered office accompanied by a cheque or bankers draft for the appropriate remittance. The Company is obliged to

allot the appropriate number of Ordinary Shares within 14 days of such exercise notice and dispatch definitive share certificates within 28 days of such exercise notice.

The exercise price of the Warrants is subject to adjustment in the following circumstances: if there is an alteration in the nominal value of the Ordinary Shares; and if the Company issues any Ordinary Shares credited as fully paid up by way of capitalisation of reserves or profits.

If an order is made or an effective resolution is passed on or before the respective final exercise dates of the Warrants for the mandatory winding up of the Company (except for the purpose of reconstruction or amalgamation) each holder of Warrants will be treated as if he had exercised his Warrants immediately before the passing of the resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received if he had actually held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the Warrants. Subject to this, the Warrants shall lapse on the liquidation of the Company.

4. Terms of the Further Subscription Rights

The Old Further Subscription Rights were issued pursuant to an instrument dated 21 December 2000. The Old Further Subscription Rights were exercisable at any time before 31 December 2010. The Old Further Subscription Rights gave the holders of Further Subscription Rights collectively the right to subscribe for 26,000,000 Ordinary Shares at a subscription price of 2.5p per Ordinary Share and to be issued two Old Warrants for each Ordinary Share subscribed for. On Admission, the terms of the Old Further Subscription Rights were, pursuant to an extraordinary resolution of the holders of Old Further Subscription Rights passed on 8 January 2003, varied so that they formed two new classes of further subscription rights, with each new class being of 13,000,000 further subscription rights and each having identical terms to the Old Further Subscription Rights save that one class (the 2006 Further Subscription Rights) are exercisable at any time up to 31 December 2006 and will entitle the holder to be issued two 2006 Warrants in respect of each Ordinary Share subscribed for and the other class (the 2010 Further Subscription Rights) are exercisable at any time in the period commencing on 1 January 2007 and ending on 31 December 2010 and will entitle the holder to be issued two 2010 Warrants in respect of each Ordinary Share subscribed for.

Therefore, if all 26,000,000 Further Subscription Rights are fully exercised and all 52,000,000 Warrants issued on such exercise are fully exercised, a total of 78,000,000 Ordinary Shares will be issued. The Further Subscription Rights are freely transferable. The Further Subscription Rights may be exercised in whole or in part at any time during their respective exercise periods. Exercise is by notice in writing lodged at the Company's registered office accompanied by a cheque or banker's draft for the appropriate remittance.

The Company is obliged to allot the appropriate number of Ordinary Shares and Warrants within 14 days of such exercise notice and dispatch definitive share certificates within 28 days of such exercise notice.

The exercise price of the Further Subscription Rights is subject to adjustment in the following circumstances: if there is an alteration in the nominal value of the Ordinary Shares; and if the Company issues any Ordinary Shares credited as fully paid up by way of capitalisation of reserves or profits.

If an order is made or an effective resolution is passed on or before the respective final exercise dates for the mandatory winding up of the Company (except for the purpose of reconstruction or amalgamation) each holder of Further Subscription Rights will be treated as if he had exercised his Further Subscription Rights and all of the Warrants resulting from such exercise immediately before the passing of the resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received

if he had actually held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the Further Subscription Rights and of the Warrants resulting from such exercise. Subject to this, the Further Subscription Rights shall lapse on the liquidation of the Company.

5. Material contracts

The Company has entered into the following contracts, other than in the normal course of business, since incorporation which may be considered material:

- 5.1 an agreement dated 30 March 2001 made between the Company (1) and Abingdon (2) whereby the Company granted Abingdon an option ("the Call Option") to require the Company on or before 31 January 2003 to sell to Abingdon all or some only of the 140,845 shares of 0.01p each in the capital of Photo Therapeutics Group Limited acquired by the Company from Abingdon on 7 February 2001 for £200,000 (equivalent to £1.42 per share in Photo Therapeutics Group Limited. The price payable by Abingdon for each share in Photo Therapeutics Group Limited on the exercise by it of the Call Option is £1.42 plus an amount equal to the interest (calculated on a daily basis at the base rate of the National Westminster Bank plc from time to time) on £1.42 that would have accrued between 7 February 2001 and the date of completion of the exercise of the Call Option. On Admission to a Recognised Investment Exchange (such as AIM) the Call Option would lapse.
- 5.2 An agreement dated 7 November 2002 between the Company and W.H. Ireland pursuant to which the Company appointed W.H. Ireland to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay W.H. Ireland, in relation to Admission, a success fee of £45,000 (to be satisfied as to £25,000 in cash and £20,000 by the issue on Admission by the Company to W.H. Ireland of Ordinary Shares at a value of 3.25p per share) plus out of pocket expenses and VAT. On Admission the Company will issue to W.H. Ireland a warrant to subscribe for 4,737,769 Ordinary Shares at 3.25p per share representing 3 per cent of the issued ordinary share capital of the Company immediately following Admission. The warrants expire 3 years following the date of Admission. The Company has agreed, from the date of Admission, to pay W.H. Ireland an annual fee of £10,000 plus VAT. After Admission this agreement is subject to termination on 90 days notice by either party.
- 5.3 An agreement dated 7 November 2002 between the Company and W.H. Ireland pursuant to which the Company appointed W.H. Ireland to act as broker to the Company. The Company has agreed to pay W.H. Ireland a success fee of £15,000 plus out of pocket expenses and VAT in relation to Admission, plus an annual fee of £10,000 plus VAT. After Admission this agreement is subject to termination on 90 days notice by either party thereafter.
- 5.4 An agreement dated 7 November 2002 made between the Company (1) and Abingdon (2) under which the Company acquired Abingdon's shares in Ark Therapeutics Group Limited ("Ark Group") and Photo Therapeutics Group Limited ("PTGL") for £1,400,000, which was satisfied by the allotment of 43,076,923 Ordinary Shares credited as fully paid to Abingdon or such persons as Abingdon may direct. The nominee of Abingdon directed that the Ordinary Shares to be issued by way of consideration will be issued to the nominee of certain shareholders in Abingdon as at close of business on 19 December 2002 in proportion to their holdings in Abingdon on that date. The agreement provides that the sale and purchase of shares in Ark Group and PTGL is conditional, amongst other things, upon the Court making an order confirming the share capital reduction of Abingdon and such share capital reduction becoming effective by being registered by the Registrar of Companies on or before 31 January 2003. All of the conditions were satisfied on 19 December 2002.

5.5 Agreements dated 17 January 2003 between the Company, W.H. Ireland and each of the Directors setting out the conditions under which the Directors may dispose of Ordinary Shares in the two year period following Admission. Further details of these lock-in agreements are set out in Part I - Lock-in agreements of this document.

6. Working capital

The Directors are of the opinion, having made due and careful enquiry, that the Company has sufficient working capital for its present requirements, that is for at least twelve months following the date of this document.

7. Taxation

The statements in this paragraph are a general guide only to the current law and practice in relation to UK taxation and may not apply to certain persons who hold shares in the Company other than as an investment (such as dealers in securities) or who are not resident or ordinarily resident in the United Kingdom. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Taxation of Chargeable Gains

If a shareholder disposes of all or any of the Ordinary Shares he or she may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the gain chargeable. Companies are not entitled to taper relief, but are due indexation allowance which may also reduce the gain chargeable.

Stamp Duty

Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply, the transfer or sale of Ordinary Shares will generally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) generally at the rate of one-half of one per cent. of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax will be payable, generally at the rate of one-half of one per cent. of the consideration paid.

Taxation of Dividends and Distributions

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit ("gross dividend"). The value of the tax credit is currently one ninth of the net dividend (or ten per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have to pay additional tax at the rate of 22.5

per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

Subject to certain exceptions a shareholder which is a company resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company.

United Kingdom pension funds are no longer entitled to reclaim tax credits on dividends paid by the Company. Subject to transitional phasing out, UK charities will not be eligible for payment from the Inland Revenue of the amount of the tax credit attaching to dividends paid by the Company.

Trustees of discretionary trusts and of trusts where income is accumulated are liable to tax at the Schedule F Trust rate of 25 per cent. of the gross dividend receipt, subject to deduction of the associated tax credit. This is a complex area and trustees of such trusts should consult their own tax adviser.

A non-United Kingdom resident shareholder is not generally entitled to reclaim any tax credit from the Inland Revenue in respect of any dividend received. An entitlement to the payment of the tax credit may, however, be available in whole or in part if there is an appropriate provision granting the entitlement under any applicable double taxation convention or agreement between the country in which the holder is resident (if anything) will generally be less than one per cent. of the dividend to which it relates. A shareholder who is not resident in the United Kingdom for tax purposes should consult his own tax adviser concerning his liabilities on dividends received, his entitlement to reclaim any part of the tax credit and, if he is so entitled, the procedure for doing so. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law.

8. Other information

8.1 The expenses of Admission are estimated to be approximately £146,000 (including VAT) of which £20,000 is to be satisfied by the issue of Ordinary Shares to W.H. Ireland at 3.25p per share. All expenses are payable by the Company.

8.2 The Company currently has no subsidiaries.

8.3 Corporate Synergy plc, who provided professional services to the Company, are the only persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) who have received directly or indirectly from the Company in the twelve months preceding the date of this document, or entered into contractual arrangements not otherwise disclosed in this document to receive directly or indirectly from the Company on or after Admission:

8.3.1 fees totalling £10,000 or more;

8.3.2 securities in the Company with a value of £10,000 or more; or

8.3.3 any other benefit with a value of £10,000 or more at the date of Admission

inasmuch as they received fees of £32,446.19 in respect of the provision of corporate finance services to the Company.

8.4 W.H. Ireland has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which it appears.

8.5 Chantrey Vellacott DFK have given, and have not withdrawn, their written consent to the issue of this document with the inclusion of their report in Part III - Financial Information of

this document and the references to it and to their name in the form and context in which they appear.

- 8.6 The Company is not dependent upon any patents, intellectual property rights, licences or particular contracts.
- 8.7 No exceptional factors other than those disclosed in this document have influenced the Company's activities.
- 8.8 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Company since 30 September 2002, the latest date to which audited accounts have been prepared for the Company.
- 8.9 None of the existing Ordinary Shares, Warrants, W.H. Ireland Warrant or Further Subscription Rights are currently listed or traded on any Recognised Investment Exchange.
- 8.10 There are no legal or arbitration proceedings active, pending or threatened against or being brought by the Company which are having, or may have, a significant effect on the Company's financial position.

9. Documents on display

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of W.H. Ireland Limited, Cannongate House, 62-64 Cannon Street, London EC4N 6AE and from the registered office of the Company.

Dated 17 January 2003