THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities.

The Directors of Sareum Holdings plc, whose names appear on page 4 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge 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 makes no omission likely to affect the import of such information.

Application has been made for the admission of the entire issued and to be issued share capital of the Company to trading on the AIM market of London Stock Exchange plc ("AIM"). It is expected that dealings in the Ordinary Shares will commence on AIM on 11 October 2004.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Neither the UK Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

This document, which comprises a prospectus and an AIM admission document, has been drawn up in accordance with the Public Offers of Securities Regulations 1995 as amended ("POS Regulations") and the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations

---

Sareum Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5147578)

Placing of 100,000,000 Ordinary Shares of 0.025p at a price of 2p per Ordinary Share

and

Admission to trading on AIM

Nominated Adviser	*Broker*
Grant Thornton Corporate Finance	**Seymour Pierce Ellis Limited**

Share capital immediately following the Placing

Authorised			*Issued and Fully Paid*	
Number	*Nominal Amount*		*Number*	*Nominal Amount*
40,000,000,000	£10,000,000	Ordinary Shares of 0.025p each	347,750,000	£86,938

Grant Thornton Corporate Finance, a division of Grant Thornton UK LLP, which is authorised and regulated by the Financial Services Authority, is the Company's nominated adviser for the purposes of the AIM Rules and as such, its responsibilities are owed solely to London Stock Exchange plc and are not owed to the Company or any director or any other entity or person. Grant Thornton Corporate Finance will not be responsible to anyone other than the Company for providing the protection afforded to clients of Grant Thornton Corporate Finance or for advising any other person in connection with the Placing and Admission.

Seymour Pierce Ellis Limited, which is authorised and regulated by the Financial Services Authority, and which is a member of London Stock Exchange plc, is acting as broker to the Company. Seymour Pierce Ellis Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Seymour Pierce Ellis Limited or for providing advice in connection with the Placing and Admission.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933 or under any applicable securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document does not constitute an offer for, or the solicitation of an offer to subscribe for or by, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, prospective investors' attention is drawn to the section entitled "Risk Factors" in Part III of this document.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements relate to the Group's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I and II of this document.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties of the Group are specifically described in Part III of this document headed ''Risk Factors''. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr Paul Bernard Harper *(Non-executive Chairman)* Dr Timothy John Mitchell *(Chief Executive Officer)* Edward Morgan Oliver *(Finance Director)* Dr John Charles Reader *(Vice President of Chemistry)* Dr David Hugh Williams *(Vice President of Biology and Structural Sciences)* Dr Alan Gordon Lamont *(Non-executive Director)* all of whose business address is at: 2 Pampisford Park, London Road, Pampisford, Cambridge CB2 4EE
Company Secretary and Registered Office	John Taylor Stewart 2 Pampisford Park London Road Pampisford Cambridge CB2 4EE
Nominated Adviser	Grant Thornton Corporate Finance Grant Thornton House Melton Street Euston Square London NW1 2EP
Broker to the Company	Seymour Pierce Ellis Limited Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Solicitors to the Company and the Placing	Bircham Dyson Bell 50 Broadway Westminster London SW1H 0BL
Reporting Accountants	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
Auditors	Grant Thornton UK LLP Byron House Cambridge Business Park Cowley Road Cambridge CB4 0WZ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions and terms apply throughout this document unless the context otherwise requires:

"*Act*"	the Companies Act 1985 (as amended)
"*Admission*"	the admission of the entire issued share capital of the Company (including the Placing Shares) to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"*AIM*"	the AIM market of the London Stock Exchange
"*AIM Rules*"	the rules relating to AIM published by the London Stock Exchange
"*Combined Code*"	the Principles of Good Governance and the Code of Best Practice included with the Listing Rules of the UKLA
the "*Company*"	Sareum Holdings plc
"*CREST*"	the system of paperless settlement of trades and the holding of uncertificated shares of which CRESTCo Limited is the operator
"*Directors*" *or* "*Board*"	the directors of the Company being Paul Bernard Harper, Timothy John Mitchell, Edward Morgan Oliver, John Charles Reader, David Hugh Williams and Alan Gordon Lamont
"*Enlarged Issued Share Capital*"	the issued share capital of the Company following the issue of the Placing Shares and the Issue Shares
"*Grant Thornton Corporate Finance*"	the corporate finance division of Grant Thornton UK LLP which is authorised and regulated by the Financial Services Authority to carry on investment business
"*Group*"	the Company together with its subsidiary, Sareum Limited, details of which are set out in paragraph 2 of Part V of this document
"*Issue Shares*"	the 7,750,000 Ordinary Shares to be allotted and issued to Billam AG, Peter Hoskins and Jemima Thorpe, further details of which are set out in paragraph 5 of Part V of this document
"*London Stock Exchange*"	London Stock Exchange plc
"*Millennium*"	Millennium Pharmaceuticals Incorporated, a US company
"*Millennium Pharmaceuticals*"	Millennium Pharmaceuticals Research and Development Limited, a company registered in England and Wales and formerly a wholly owned operating subsidiary of Millennium
"*Ordinary Shares*"	ordinary shares of 0.025p each in the capital of the Company
"*Placing*"	the conditional placing of the Placing Shares at the Placing Price
"*Placing Agreement*"	the agreement between the Company, Seymour Pierce Ellis and the Directors in connection with the Placing, details of which are set out in paragraph 5 of Part V of this document
"*Placing Price*"	2 pence per Ordinary Share
"*Placing Shares*"	100,000,000 Ordinary Shares to be allotted and issued pursuant to the Placing
"*POS Regulations*"	The Public Offers of Securities Regulations 1995 (as amended)
"*Sareum*"	Sareum Limited
"*Seymour Pierce Ellis*"	Seymour Pierce Ellis Limited, which is authorised by the Financial Services Authority to carry on investment business
"*Shareholders*"	holders of Ordinary Shares

"*UKLA*"	the United Kingdom Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"*UK*" *or* "*United Kingdom*"	the United Kingdom of Great Britain and Northern Ireland
"*US*" *or* "*USA*" *or* "*United States*"	United States of America (including the States thereof and the District of Columbia), its territories and possessions
"*Zyzygy*"	Zyzygy plc, a company registered in England and Wales whose ordinary shares are admitted to trading on AIM

GLOSSARY AND ABBREVIATIONS

Absorption	the transfer of compound across an external physiological barrier
ADME	absorption, distribution, metabolism and excretion. A study of how and to what extent, a substance is taken up by the body and the substance's subsequent fate
Baculovirus	an insect virus that can be modified to express proteins (protein expression system)
CD prenomination	pre-clinical candidate selection
Cell	the basic unit of any living organism. It is a small, watery, membrane-bound compartment filled with chemicals and a complete copy of the organism's genome. All living organisms are made of one or more cells
Computational Chemistry	a discipline used for computer aided drug design in which computer modelling can predict the type of compounds most chemically suitable for binding to a drug target
Crystal structure	term used to describe the high resolution molecular structure derived by x-ray crystallographic analysis of protein or other biomolecular crystals
Distribution	the transfer of compound from the site of administration to the total systemic circulation and then to extracellular and intracellular water and tissues
DNA	deoxyribonucleic acid. The chemical inside the nucleus of a cell that carries the genetic instructions for making living organisms
Drug	a modulating agent approved by a regulatory authority used to treat, diagnose, mitigate or prevent a disease state
Drug candidate	a molecule being developed as a potential drug
Drug discovery	the process of researching new substances that may become treatments for various human conditions
Enzyme	proteins that catalyse (enable) and increase the speed of a biochemical transformation without altering the nature or direction of the reaction
Eukaryote	cells or organisms with a membrane- bound, structurally discrete nucleus and other well developed subcellular compartments
Excretion	the removal of compounds from the body, either via the urine or faeces, expired air, sweat, saliva or sexual fluids
Expression	the manufacture of a specific protein by a cell
FDA	Food and Drug Administration. The federal agency charged with approving all pharmaceutical and food ingredient products to be sold within the United States
Functional domain	a region within the three-dimensional structure of a protein that may encompass regions of several distinct protein sequences that accomplishes a specific function
Genome	the entire DNA contained in an organism or a cell, which includes both the chromosomes within the nucleus and the DNA in mitochondria
GPCR (G-protein coupled receptor)	a large family of related cell surface proteins that associate with internal signalling molecules (G proteins). GPCRs are often pursued as drug targets
Hit	a chemical compound identified as having some interaction with a biological target

HTS	High Throughput Screening. The use of miniaturised, robotics-based technology to screen large compound libraries against an isolated target protein, cell or tissue in order to identify hits that may be further developed into potential new drugs
Infection	invasion and reproduction of micro-organisms in cells or tissues
Inflammation	the body's reaction to injury, infection or irritation, characterised by pain, swelling, redness and heat
Inhibitor	a molecule that is able to prevent or reduce the normal function of a protein
Lead	a molecule that interacts with a biological target and modulates its behaviour in a desirable way
Lead discovery	the process of identifying a lead from a pool of hits. Leads may be discovered directly from HTS, or through synthetic modification of hits, or structure-based drug design, which streamlines the process
Lead optimisation	the process of creating the most advantageous lead compound in terms of its modulation of the target's biological activity, its ADME properties and its effect in disease state models for the discovery and production of drugs
Ligand	a molecule that interacts with a receptor
Lipid Kinase	enzymes capable of adding a phosphate group to a particular component of a cell's lipid membrane. Lipid kinases have important roles in transmitting signals within cells and, as such, are important therapeutic targets
Medicinal Chemistry	the discipline of designing and synthesising potential drug candidates
Metabolism	the universe of chemical changes occurring in a tissue. This consists of creating large molecules from smaller ones (anabolic changes) and small molecules from larger ones (catabolic changes)
Mitochondria	organelles that generate energy for the cell
Molecule	the result of two or more atoms combining by chemical bonding: a molecule of any substance is the smallest physical unit of that particular substance
Multiple Sclerosis	a neurological disease of the central nervous system that occurs due to the autoimmune destruction of the myelin sheath that surrounds nerve tissue. Multiple Sclerosis leads to multiple manifestations including muscle weakness, seizures and paralysis
Neoplasm	a new growth of tissue. This can be referred to as benign or malignant
Nuclear hormone receptor	a ligand-dependent receptor found in the nucleus of the cell
Nucleus	the central cell structure that houses the chromosomes
Oncology	the study of cancer, encompassing the physical, chemical, and biologic properties of tumours
Organelle	subcellular structure in eukaryotic cells providing specialized function within cells. Organelles are separated from each other and the cytoplasm of the cell by membranes
Organism	any living thing
Pharmacokinetic	the study of the absorption, distribution, metabolism and elimination of drugs by the body
Phase I	a Phase I clinical trial is a small-scale test of the safety of a new drug. Trial participants are usually healthy volunteers

Phase II	phase II is the second clinical trial in humans, usually in patients rather than healthy volunteers
Physico-chemical	the study of non-biological properties of a substance e.g. solubility, chemical stability
Pre-clinical	additional studies that support Phase I safety and toxicity data the results of which are used to establish safety and tolerance boundaries for future human trials. Good laboratory practices (GLP) must be followed
Prokaryote	cell or organism lacking a membrane-bound, structurally discrete nucleus and other subcellular compartments, e.g. bacteria
Protein	large, complex biological molecules that are essential to the structure, function and regulation of cells, organs and tissues
Protein Kinase	enzymes capable of adding a phosphate group to specific proteins. Protein kinases play crucial roles in the regulation of signalling within and between cells, and are important drug discovery targets
Receptor	a molecule (usually a protein) that spans a cell membrane that ''receives'' a signal and transmits it inside the membrane-bound structure
Recombinant protein	proteins made from recombinant DNA technology wherein engineered DNA coding for a specific therapeutic protein of choice facilitates the protein's mass production
Rheumatoid Arthritis	an autoimmune disease, which leads to immune invasion of joint tissue resulting in inflammation and pain of the joints, and ultimately in joint destruction
Target	a biological molecule, usually a protein, whose function can be modulated by a drug's action to affect a disease state
Tissue	a group or layer of cells similar to each other, along with their associated intercellular substances, which perform the same function within a multicellular organism
Toxicological	to be poisonous or harmful
Tumour	an abnormal mass of tissue, also called a neoplasm, that is the result of uncontrolled cell division
Virus	a small organism that is often pathogenic. Viruses have a simple structure that is composed of a protein shell, which surrounds the viral genome

PLACING STATISTICS

Placing Price	2 pence
Number of existing Ordinary Shares	240,000,000
Number of new Ordinary Shares subject to the Placing	100,000,000
Number of Ordinary Shares on Admission (including Issue Shares)	347,750,000
Placing Shares as a percentage of Enlarged Issued Share Capital on Admission	28.8 per cent.
Market Capitalisation of the Company on Admission at the Placing Price	£6.96 million
Estimated gross proceeds of the Placing receivable by the Company	£2.00 million
Estimated net proceeds of the Placing (after expenses) receivable by the Company	£1.75 million

EXPECTED TIMETABLE

Admission effective and dealings expected to commence on AIM	11 October 2004
CREST accounts credited	11 October 2004
Expected date of despatch of definitive certificates for Ordinary Shares	by 18 October 2004

PART I

INFORMATION ABOUT THE GROUP

1. Introduction

Sareum Limited (''Sareum'') was founded in August 2003 by a group of senior managers from Millennium Pharmaceutical's Structure-Based Discovery Department, following Millennium's decision to close operations in the United Kingdom and concentrate its business in the United States. The Company was established in July 2004 to act as the holding company for Sareum.

Sareum was established to address the needs of major pharmaceutical companies to procure therapeutic drug candidates for their product development pipelines. A shortage of new products has forced many of the large pharmaceutical companies to outsource drug discovery. This market for outsourced drug discovery is currently estimated to be worth approximately US$3.2 billion and is forecast to grow at a rate of between 15 per cent. and 20 per cent. until 2007 when it is estimated that it will be worth almost US$6 billion.

The Directors believe that Sareum has developed a leading approach to drug discovery by a combination of Sareum's skills in biology, computational chemistry and high throughput chemical synthesis. In so doing, the Directors believe that Sareum has created a system capable of reducing by up to half the time it takes to discover drug candidates for pre-clinical and clinical trials.

The Group intends to create value through generating successful drug candidates which it will out-license to, or partner on with, pharmaceutical companies at the Phase I or Phase II clinical trials stage. In addition, the Group will offer services for fees; these services will include protein structure determination, chemical library synthesis and structure-based drug discovery project support.

Although it is the Group's ultimate preferred strategy to develop its own drug candidates, it will make available its services to other companies in order to generate income with a view to funding its own drug development programmes.

Further details of Sareum's technology are set out in Part II of this document.

2. Current trading and prospects

The Group has been funded so far with investments from various private investors (including several of the Directors) amounting to £900,000 on the terms of an investment agreement, details of which are set out in paragraph 5 of Part V of this document. This has enabled the Group to acquire essential laboratory and other technical equipment, to take on key staff and to establish the business in its present location. Since the funds were raised, Sareum has completed its first two small contracts.

The Company is undertaking the Placing in order to raise funds which will enable it to develop a number of potential drug candidates and to provide general working capital.

3. The Placing and Admission

On behalf of the Company, Seymour Pierce Ellis has, under the terms of the Placing Agreement, conditionally placed with institutional and other investors a total of 100,000,000 new Ordinary Shares at the Placing Price, to raise a total of £2 million before expenses.

Further details of the terms of the Placing Agreement are set out in paragraph 5 of Part V of this document. The Placing Shares will rank *pari passu* with the existing Ordinary Shares including the rights to all dividends and other distributions declared paid or made after the date of issue.

On Admission, the Company will have 347,750,000 Ordinary Shares in issue and a market capitalisation of approximately £6.96 million at the Placing Price.

4. Reasons for Admission and use of proceeds

The net proceeds of the Placing receivable by the Company after expenses will be approximately £1.75 million. The net proceeds receivable by the Company will be used for the working capital needs of the Group. In addition to the fundraising being implemented through the Placing, the reasons for Admission include the following:

- to raise the Group's general profile within its sector and status with its customers;
- to assist in recruiting, retaining and incentivising key employees;

- to provide the Company with an acquisition currency in the form of AIM quoted securities and enabling it to finance in whole or in part its expansion plans;
- to provide suppliers with added confidence;
- to enable the Group to access a wider range of investors; and
- to provide the Group with more flexibility for further growth.

5. Lock-In Arrangements

Each of the Directors has agreed with Seymour Pierce Ellis and the Company that they will not (except in the limited circumstances permitted by the AIM Rules including in the event of an intervening court order, the death of a Director, or in respect of the acceptance of a take-over offer of the Company which is open to all Shareholders) dispose of any Ordinary Shares in which they or any connected person are interested until the date which falls 12 months after the date of Admission. Thereafter, they will not sell or dispose of any of their Ordinary Shares except through Seymour Pierce Ellis, while Seymour Pierce Ellis remains the Company's broker.

6. Directors

The Directors of the Company are as follows:

Dr Paul Harper, Non-executive Chairman, aged 58, has over thirty years experience of the life sciences industry covering both drug development and medical devices. Paul Harper has served as Chief Executive of Cambridge Antibody Technology Limited, and Provensis Limited. He has also served as Corporate Development Director of Unipath Limited, then the medical diagnostics business of Unilever plc and as Director of Research and Development for Johnson & Johnson Limited. Formerly head of Antimicrobial Chemotherapy for Glaxo Group Research Limited, Paul Harper holds a doctorate in Molecular Virology and is the author of over 50 publications.

Dr Tim Mitchell, Chief Executive Officer, aged 44, has over sixteen years experience in the pharmaceutical industry, having trained as a senior scientist at SmithKline Beecham Pharmaceuticals Research and Development Limited, with substantial business and management experience gained from his time at Cambridge Discovery Chemistry Limited. Tim Mitchell was director of the Structure-Based Discovery department at Millennium Pharmaceuticals. This department provided protein structures and high throughput chemical synthesis for Millennium globally as well as a local computational chemistry, informatics and automation capability. At Cambridge Discovery Chemistry Limited he was Director of Computational Chemistry as well as having business development and project management roles. Prior to that, he was a team leader in the Computational and Structural Sciences Department at SmithKline Beecham Pharmaceuticals Research and Development Limited. Tim Mitchell holds a doctorate in Computational Chemistry.

Edward Oliver, Finance Director, aged 62, was appointed Finance Director on 5 July 2004. Edward Oliver is a Chartered Accountant with considerable experience both in professional practice and in industry. Formerly a senior partner at the London based firm of Chartered Accountants, AGN Shipleys, Edward Oliver has since 2002 provided consultancy and advisory services to companies through his firm, Olivers. Edward Oliver is also finance director of Zyzygy, a substantial shareholder in the Company.

Dr John Reader, Vice President of Chemistry, aged 37, was formerly Associate Director, Chemical Technologies of the Pharmaceuticals' Research and Development division of Millennium Pharmaceuticals. John Reader has eleven years experience in the application of automated and high-throughput medicinal chemistry in the pharmaceuticals sector with Pharmacopeia Inc, Cambridge Discovery Chemistry Limited and Millennium Pharmaceuticals. In his most recent role, John was a member of the senior UK management team of Millennium Pharmaceuticals and of Millennium Pharmaceutical's compound collection committee, in addition to providing high-throughput chemistry to Millennium's chemistry departments in both the UK and USA. John Reader holds a doctorate in Organic Chemistry.

Dr David Williams, Vice President of Biology and Structural Sciences, aged 41, has nineteen years experience in the pharmaceuticals sector having been involved in generating many drugs for clinical study. David Williams was Director of Structural Sciences at Millennium, a department that he established in both the UK and the US to service the needs of the company's four therapeutic areas. Whilst at Millennium, David Williams was also interim head of Molecular Pharmacology and a member of the senior UK management team. Prior to this role, he was Associate Director of Biomolecular Sciences at Medivir UK

Limited, Section Head of Molecular Immunology at Peptide Therapeutics plc (now Acambis plc) and a Research Scientist at Roche Products Limited. David Williams holds a doctorate in Cell Signalling.

Dr Alan Lamont, Non-executive Director, aged 43, has over sixteen years experience in the pharmaceuticals sector covering both research, and business development. Alan Lamont is currently the Vice President of Business Development at Acambis plc where he develops and finalises deals and collaborations for both in-licensing and out-licensing. Prior to this role he was Business Development Manager at Catalyst BioMedica Limited (a subsidiary of the Wellcome Trust) and Director of Biology at Peptide Therapeutics plc with previous senior positions at Roche Products Limited, Cantab Pharmaceuticals plc and Cytel Corp. Inc. Alan Lamont holds a doctorate in Immunology and Physiology.

7. Scientific Advisory Board

The Scientific Advisory Board ("SAB") is responsible for critically reviewing Sareum's scientific strategy. Their role will be to inform the Group of any scientific or technological advances that are relevant to Sareum or its competitors, and provide links to a network of business, industrial and academic contacts. The SAB will convene as required and membership will be reviewed periodically. It is proposed that the initial members of the SAB will be:

Professor David Tapolczay, previously Vice President of Research & Development at Millennium Pharmaceuticals, with responsibility for over 230 scientists. Professor Tapolczay provides advice, contacts and support for business development.

Dr Harry Finch, previously Research Director at Vernalis plc and Director of Chemistry at Glaxo SmithKline plc.

Dr Rod Hubbard, currently Professor of Structural Biology, University of York and Director of Structural Sciences, Vernalis plc.

8. Share options

The Directors believe that the Group's success is highly dependent on the quality of its employees. To assist in recruitment, retention and motivation of high quality key employees the Group must have an effective remuneration strategy. The Directors consider that an important part of the remuneration strategy will be the ability to award equity incentives and in particular share options to key employees. Consequently the Directors currently intend to establish a share option scheme for the benefit of the management and staff of the Group following Admission. The Directors intend that the scheme will be compliant with guidelines issued by institutional investment protection committees (as appropriate for the size of the Group).

9. Dividend policy

The Board intends to commence the payment of dividends when it becomes commercially prudent to do so and to pursue progressive dividend policy in line with earnings growth, subject to the availability of distributable profits whilst retaining sufficient income for the Group's projected working capital requirements.

10. Corporate Governance

The Directors recognise the value of the Combined Code. Following Admission the Company intends to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also proposes to follow the Guidance for Smaller Quoted Companies on the Combined Code issued by the Quoted Companies Alliance in August 2004. The Board will establish a remuneration committee and an audit committee, each with delegated duties and responsibilities.

The Remuneration Committee, consisting of the Chairman, Finance Director and one Non-executive Director will review the performance of the executive Directors and determine the remuneration of the executive Directors and the basis of their service agreements with due regard to the interests of shareholders. The Remuneration Committee will also determine the payment of any bonuses to executive Directors and the grant of options to employees, including executive Directors, in relation to any share option scheme adopted by the Company.

The Audit Committee, consisting of the Finance Director and two Non-executive directors, will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored, controlled and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The Company has adopted and will operate a share dealing code for directors and senior employees on the same terms as the Model Code appended to the Listing Rules of the UKLA.

11. Taxation

General information regarding UK taxation in relation to the Placing and Admission is set out in paragraph 8 of Part V of this document. **If you are in any doubt as to your tax position you should consult your own financial adviser immediately.**

12. CREST

The Company's Articles of Association permit it to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective.

The Company has applied for the Ordinary Shares to be enabled through CREST with effect from Admission. Accordingly, settlement of transactions in 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.

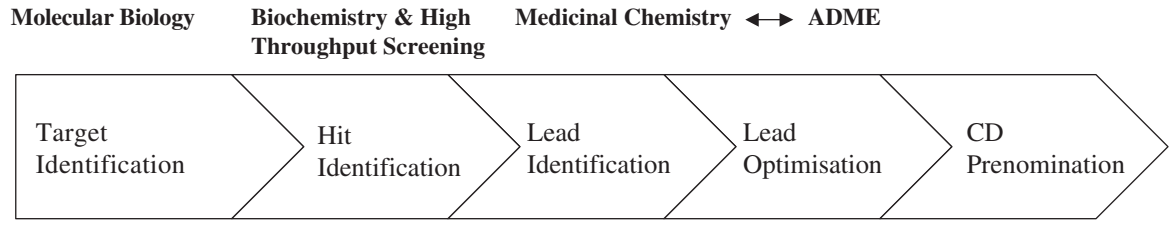
PART II

INFORMATION ABOUT THE SAREUM PROCESS

Science

The discovery of the entire DNA sequence of the human genome is allowing scientists to identify all of the genes that exist in the body, currently estimated at between 25,000 and 30,000 in number. Current estimates suggest that between 600 and 1,500 of the proteins encoded by these genes will be exploitable drug targets for diseases but at present only 120 of these are targeted by marketed drugs. Representative diseases include rheumatoid arthritis, multiple sclerosis, a variety of cancers, skin diseases and allergies. Solving the target protein structures and rapidly identifying small molecule inhibitors of these proteins are key steps in successful drug discovery.

Drug-discovery can be depicted as a five-stage process toward decisive milestone objectives:



The first stage of the drug discovery process is the identification of target proteins. Sareum will either acquire these targets through collaborative agreements or source them internally from an extensive review of the published scientific literature. The Company has a number of targets that it is currently evaluating and has selected its first candidate targets for discovery and development.

The second stage is the identification of "Hit" compounds — compounds that are identified as being able to interact with a biological target. This is recognised as the first milestone in the drug discovery process.

The third stage, and second milestone, is the identification of "Lead" compounds — "Hit" compounds that not only interact with the biological target, but modulate its activity in a desirable way. Lead compounds are usually discovered by synthetic modification of hit compounds in an iterative process that seeks to examine how changes in the structure of the molecule affect the extent to which it modulates the target's activity. Sareum's skills at computational and synthetic chemistry are brought into use at these two stages.

The fourth stage of drug discovery involves optimising a Lead compound by further synthetic modification to ensure that it satisfies the physical, biological, chemical, pharmacokinetic and toxicological characteristics that would enable it to become clinically useful in the treatment of a disease.

Candidate drug ("CD") prenomination is the final stage that must be completed before the chemical compound can enter a human. In this stage, a pre-clinical candidate is selected for extensive toxicity testing to ensure that it is safe for human administration. Sareum will utilise an external contract research company for this stage of the process managed by an experienced internal project manager.

The Sareum approach

Sareum is ideally positioned, through its structure-based approach, to fully exploit a wealth of new targets derived from the human genome project for the development of therapeutic candidates. Sareum's approach is to solve, by x-ray crystallographic means, the three-dimensional structure of a target protein. This structure is then used to guide the design of molecules (ligands) for synthesis, such that the ligands are able to interact in a desirable way with the target protein and thus modulate its behaviour. Furthermore, it is possible to solve the 3-dimensional structure of the protein and the interacting hit or lead molecule, thus affording the scientist a picture of exactly how the lead molecule is interacting with the protein at the interaction site. This allows informed decisions to be made as regard any subsequent modifications that might improve the lead molecule's characteristics.

Deriving structural information

Obtaining protein structural data is currently an unpredictable process with the industry "best chance of success" being approximately 10 per cent. The solving of a protein structure during the hit identification or lead identification stages of the drug-discovery process has the greatest impact on the design of suitable

ligands, however timelines in the industry are such that, even when structure has been solved, it is frequently during the lead optimisation phase and too late to guide ligand design.

There are several scientific disciplines involved in the process including molecular biology, protein biochemistry and crystallography. The usual bottleneck lies with two unpredictable variables in the science: the first being soluble expression of the target protein, and the other being the formation of an ordered crystalline protein matrix.

During the course of protein structure determination, the synthesis of many different forms of the same protein can be attempted in order to increase the chances that (i) the protein is expressed well in a recombinant system and (ii) it crystallises to a quality where high-resolution x-ray data collection can be achieved. The different protein forms are usually cut-down versions of the target protein based around the minimum functional domain, or with specific site directed mutations designed to abrogate or enhance particular qualities which could include catalytic activity or binding properties of the protein.

Bacterial (prokaryotic) and yeast (lower eukaryotic) systems can be used effectively for expression of recombinant proteins, but frequently a very large degree of process optimisation is required. Indeed, many human proteins cannot be produced in these systems at all.

In order to maximise the chance of expressing a soluble, functional, recombinant version of a human protein, it is preferable to use a higher eukaryotic host expression system. This approach has the advantage of allowing correct protein folding and assembly as well as post-translational modifications.

The method of expression chosen by the Directors for producing the amounts of human recombinant protein required for structural biology is the baculovirus system, where the target protein is expressed transiently in cells derived from insects (usually the *Spodoptera frugiperda* caterpillar) following infection by an engineered virus from the *Baculoviridae* family. Despite the enormous advantage of using baculovirus in structural biology, it is only generally used in the field in a serial fashion without high throughput parallel method strategies. The reason for this is that it is a multi-stage process involving specialised handling procedures and delicate cell growth conditions and therefore a high degree of organisation and method development is required to parallelise the process. This is in contrast to yeast and bacterial systems, which are simple robust expression hosts fully amenable to parallel methods in an organised laboratory. For this reason and despite all the inherent problems, yeast and bacterial systems are the ones currently exploited by existing Structural Biology companies.

The Directors believe Sareum's competitive advantage lies in its ability to parallelise the process of using the baculovirus system. Sareum has what it believes to be a unique capability of parallel baculovirus expression, making at least 96 versions of any one protein, which it will exploit to maximise its success in protein production and structure determination.

Conventional methodologies for making a single version of a protein using baculovirus, evaluating its expression and crystallisation are slow and inefficient. The cycle time for each protein version is between 3 to 12 months, allowing a serial approach to deliver between 4 to 16 protein versions within the typical four year lifetime of a pre-clinical drug discovery project. Sareum's expertise and automated parallel process technology not only increase the likelihood of success by producing more protein versions, but also reduce the timelines to determine these structures. By providing this information far earlier in the drug discovery process Sareum are able to significantly increase the ''chance of success'' of the project.

Designing therapeutic candidates

Once structural information is available, Computational Chemistry enables the rapid and efficient design of focused libraries of novel chemical entities possessing desired biological and physico-chemical properties. The ability to build computational models rapidly, prior to any synthesis, can provide the data and chemical insights needed to support a medicinal chemist's decision on prioritising target molecules for synthesis. Computational techniques allow scientists to predict the extent to which a molecule will interact with a protein, allowing a prediction of the relative orientation of the molecule to the protein and the energy associated with that interaction. Solving the three dimensional structure of the protein improves the accuracy of these predictions.

By combining structural information and computational chemistry, large virtual libraries of many thousands of compounds can be computationally screened against a target and then highly focused libraries of tens or hundreds of compounds designed for actual synthesis. These information-rich libraries, can be designed to investigate multiple binding modes (i.e. different orientations between molecule and protein) and selectivity against related targets.

Synthesising therapeutic candidates

Sareum's Medicinal Chemistry platform makes extensive use of robotic automation and parallel processing, in conjunction with the most modern synthetic techniques, such as microwave chemistry, solid-supported reagents and scavenging resins.

This highly efficient capability allows one scientist to synthesise several hundred molecules per week. The synthesis and testing of many compounds is important, as this process builds up a very clear picture of the relationship between the structure of a molecule, and the extent to which it modulates a protein's activity. The data generated is used to further refine the computational model. The need to generate leads from several different chemical families, in order to enhance the chance of success, necessitates the use of a wide-range of different chemistries. Sareum's automated chemistry platform has been developed to allow the use of many diverse chemical reactions, by reproducing many of the reaction conditions commonly encountered in medicinal chemistry synthesis.

This Medicinal Chemistry phase of drug discovery is an iterative process, in which hits, which simply interact with the target, are developed into leads, which modulate the activity of the target in a desirable way. These leads are then optimised by further synthetic modification to improve the modulation of the target's activity, and to ensure that the potential drug molecule is present at the right place, and in sufficient quantity in the patient's body to produce the desired effect. This requires synthetic changes to the structure of the molecule to affect the extent to which the molecule is absorbed by, and distributed in the body, and the rate at which the body is able to clear the drug from its system. Again, access to a wide range of chemistries is desirable to allow the necessary synthetic changes to be made to the structure of the molecule. Sareum's automated platform allows these chemistries to be accessed in a highly efficient way.

In response to the needs of the Pharmaceutical industry, the Directors believe that Sareum has developed and optimised the use of a number of highly efficient platform technologies, which enable the company to significantly reduce the timelines traditionally taken in the process of drug discovery. In summary:

(1) The 3-dimensional structure of the target protein is solved. Sareum's parallel baculovirus platform allows maximum chance of success and is capable of significantly shortening the timelines involved. Successful structure solution can therefore have increased impact on the drug discovery project.

(2) The 3-dimensional structure of the protein is used in a computational screen of virtual libraries of molecules. This allows the chemist to focus on the synthesis of families of compounds that will have the maximum chance of success.

(3) Sareum's automated chemistry platform allows rapid synthesis of many molecules from diverse chemical families. Cycle times in the iterative process of taking compounds from hits to leads and through the lead optimisation process are reduced.

(4) Ongoing use of the protein structure and refinement of the computational model allow the chemists to focus on the synthesis of molecules with the maximum chance of success.

Comparisons with the traditional approach

Currently the pharmaceutical industry takes on average more than 10 years to invent and bring a drug to the market with costs of around US$800 million per successful drug (the figure notes the cost of failure and high attrition rates in the drug development pipeline). Annual sales revenues per successful drug frequently need to exceed US$1 billion if the high costs of development are to provide profits for the duration of patent life remaining. The need to address these time lines to market and associated costs is addressed within the Sareum model.

The use of Structural Biology, Computational Chemistry and High-Throughput Medicinal Chemistry play a major role in reducing the drug time to market by reducing the hit to lead and lead optimisation phases of drug discovery and by helping ensure that patentable, novel compounds of high quality are put forward into drug development, whether by client companies or by Sareum itself.

Sareum's ability to produce and exploit detailed structural information on these targets makes possible the rapid design and synthesis of new, potent and selective inhibitors which are effective therapeutic agents, obviating the need for costly and time consuming high throughput screening

Therapeutic areas of focus

Sareum's internal drug discovery programme focuses on the therapeutic areas of oncology and inflammation, concentrating initially on the enzyme family of protein kinases and lipid kinases. These classes of protein present a number of biologically significant targets within many disease areas.

The targets chosen for Sareum's internal research are selected for their high degree of disease validation; typically having functional gene knockout and trans-gene data, but preferably with patient gene mutation or proof of concept in the clinic. The Directors believe that this strategy will reduce the risk of attrition through the clinical trial phases of research and focus projects for early proof of principle in man to maximise product value.

Pipeline management

Sareum has established a multiple redundancy strategy to minimise the impact of target or compound related attrition. This means that two hit-to-lead programs are selected for every four protein expression/structure determination projects initiated. Furthermore, one lead optimisation program is then selected from the two completed hit to leads. This approach allows for the most efficient use of Sareum's resources and provides an excellent chance of rapidly developing drug candidates for clinical evaluation. Moreover, it builds up a portfolio of projects at various stages of development for subsequent internal review or out-licensing. This model also allows flexibility on the project initiation dates to optimise resources between internally and externally funded programmes.

Third-party subcontracting

The Directors believe that they will create greatest value by identifying drug candidates for out-licensing or partnering with larger pharmaceutical / biotechnology companies. However, the Company will also offer services to third-party companies for fees. The Directors currently anticipate that for the first five years after Admission, Sareum will offer both customer-tailored and off-the-shelf products and services in the areas of protein structure determination, chemical library synthesis and integrated structure-based discovery project support. This strategy will help to maintain and develop Sareum's position as a world leader in Structure-Based drug design and help fund the Company's long-term growth and value creation.

The Company has identified the need to attract collaborations with companies in the UK, Europe, Japan and the USA and has allocated time for business development in these areas. The Company's commercial strategy targets primarily companies that develop and sell final products themselves.

The Company will make available the following services:

Chemistry

Initial service revenue products of the Chemistry department are of three types:

- New chemical libraries

  Chemical libraries of between 200 and 2,500 members will be prepared in high purity around pharmaceutically relevant templates, and will have a range of drug-like and lead-like properties. These new chemical libraries may be directed at specific gene-family proteins, such as kinases or GPCR's, or may be non-directed and suitable for general screening. These libraries will initially be screened against internal targets allowing a strong intellectual property position to be developed around any active compounds or templates.

  Where compounds do not show activity against the Company's own selected target proteins, they will be sold either on a non-exclusive or an exclusive basis. Sareum's chemists have already developed a ''toolbox'' of automated reactions. This repertoire allows for the synthesis of tens of thousands of compounds and will be used to provide structures not readily accessible to competitors.

- Follow-up hit resynthesis

  If a compound supplied by Sareum is found to be active in a biological screen it will usually be taken through a series of secondary assays. Sareum will be ideally positioned to provide this re-synthesis work, having carried out the original synthesis and purification.

- Follow-up analogue arrays

  During the hit-to-lead process, analogues of hits are synthesised in an effort to improve potency, selectivity against other biological targets, and ADME parameters. These analogues are structurally

related to the original hit and will be synthesised by the same chemistry with different inputs. Sareum is again ideally positioned to perform this synthesis as it will have prepared the hit compound in the first place and will therefore have an excellent understanding of the scope and difficulty of the chemistry involved. This will allow the analogue synthesis to be rapid and thus reduce the time taken in the hit-to-lead phase.

As the market for high-throughput chemistry has developed over the last ten years, customer requirements have begun to focus increasingly on quality rather than quantity of compounds. Over the past five years the trend has moved further towards the production of smaller, well-characterised libraries of pure compounds. Sareum's scientists have focused on the production of this type of library for the last five years.

Computational Chemistry

Computational Chemistry capability is provided to customers either in conjunction with chemistry and/or structure determination, or as a stand-alone service. Initially, these capabilities are in three key areas:

- Structure-based design

  Using a model or experimentally derived protein structure, Sareum scientists can identify and characterise ligand binding site(s). Using this information, computational chemists can propose key features required of novel small molecule inhibitors or key modifications to existing molecules necessary to improve potency, selectivity and/or ADME properties.

- Chemical library design

  Sareum's computational chemists generate a ''virtual library'' of all possible chemical entities, which could be synthesised from a particular chemical route. Advanced design software is then used to select the most appropriate compounds for synthesis, based on physico-chemical properties, similarity and/or diversity to existing compounds. Structural information, when available, is then taken into account to ensure that particular molecular features required for binding with the target are present in the selected compounds. Virtual Screening software can be used to computationally dock each member of the virtual library into the binding site of the target protein, selecting library members that make the most favourable interactions.

- High throughput data processing and model building

  Sareum has the capability to analyse data sets of up to several million compounds each with several hundred data points. The data points include properties such as molecular weight, melting point, boiling point, acidity, shape, electronic distribution, chemical bond length, and biological activity. Advanced data mining software is used to analyse features and patterns in the data, typically to identify structurally inappropriate compounds in a data set, identify promiscuous compounds that interact with many biological targets or to categorise and prioritise HTS hits. This analysis can also be extended to build predictive models that can be applied to compounds before they are synthesised or tested. Such models include aqueous solubility, chemical stability and intestinal absorption.

Biology and Structural Sciences

Initially, Sareum will offer the following services:

- Parallel Protein Expression

  Sareum will start synthesis of 96 variants of the customer's target protein, using baculovirus to maximise the chances of producing a soluble version that is well expressed and crystallises successfully. The different versions may be truncated versions of the original protein target, possessing site-specific mutations and varied purification tags on either end of the amino acid chain. After baculovirus creation, expression optimisation is performed in parallel using an in-house developed shaker fermentation technique. This parallel approach allows rapid identification of soluble well-expressed protein from a eukaryotic source. Small amounts of protein can be supplied as well as reagents to allow customers to generate their own proteins.

- Protein Crystallisation and Structure Solution.

  Sareum will perform crystallisation trials using Sareum-generated or customer-supplied protein and employing the in-house crystallisation platform. Successfully optimised crystals will be analysed and

structural elucidation performed on appropriate data sets. Once a structural determination route is established, co-crystallisation and soak strategies are performed to provide protein structures containing collaborator ligands. Sareum has extensive knowledge of the use of techniques to encourage successful ligand soaking. Ligand soaking generally provides a faster turnaround time in the structure determination process.

- Structure Library

  Sareum will have a panel of in-house drug discovery protein targets where a crystal structure can be rapidly generated with customer ligands. These structures will be supplied on a non-exclusive basis.

Full Service Collaboration

Sareum has the in-house expertise to advance pre-clinical drug discovery at an accelerated pace using its parallel automated Biology, Chemistry and Structural methods. A typical full-service revenue collaboration would involve the customer selecting one or more targets and Sareum preparing a plan of work to provide a drug discovery package ideally extending through lead optimisation to early drug candidate identification.

PART III

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. 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.

It should be noted that the risks described below are not the only risks faced by the Company. There may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.

Stage of the Group's development

The Group is at an early stage of development and its business strategy is not proven. The Group may not be able to generate a sufficient number of contracts for the sale of services to satisfy its objectives. Further, even if the Group is able to generate a sufficient number of contracts, the value and profitability of those contracts may not be sufficient to ensure the long-term well-being of the business. Even if the Group is successful at generating contracts, it may not achieve profitability for a number of years.

In common with many early stage businesses, the Group is dependent on the active involvement of the Board in all aspects of the Group's affairs. As the business grows, it may face difficulties in establishing a suitable management structure for a larger company and in recruiting suitably skilled and qualified staff.

Competition

While the Directors believe that they have a set of skills that is unique, the Group may face competition from companies in business at present or not yet established that are better funded, staffed or equipped than the Group. There is also a risk that the Group's target customers, pharmaceutical companies, may choose to set up similar drug discovery units. Competition from any source would adversely affect the Group's ability to generate income.

Technology

The Group may come to face competition from other businesses that possess skills and technologies that are not known or available at present. Such competition could prevent the Group from achieving sales. Further, competitors may develop products or technologies that make Sareum's technology obsolete.

Dependence on key personnel

The Group's business success depends largely on its ability to attract, retain and motivate skilled personnel. There can be no assurance that the Group will be able to attract such key personnel or retain other qualified personnel in the future. An inability to attract, engage or retain the necessary sales, technical, managerial and/or other relevant personnel could have a material adverse effect upon the Group's business, results, operations or financial condition.

To mitigate this risk, the Group will introduce a share option scheme. The Directors also intend to procure key person insurance in respect of certain executive Directors. Nonetheless, the Group faces a risk of losing key employees, which may have adverse financial consequences for the Group.

Legal and contractual risks

All agreements are subject to interpretation and some agreements are not binding. There is no guarantee that the Group will be able to enforce all its rights under its agreements or arrangements with third parties.

Subsequent fundraising

The Group may require additional financial resources to continue funding its future expansion. The Company may in the future seek to raise additional funds through public or private financing. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its shareholders.

Notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of then current shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Ordinary Shares.

Regulatory and legal changes

The Group's strategy has been formulated in the light of the current regulatory and legal environment and likely future changes. The regulatory and legal environment may change in the future and such changes may have a material adverse effect on the business.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted.

Drug development risk

The Group intends to develop its own drug candidates. There can be no guarantee that it will be able to do so, and were it to succeed in developing a drug candidate that it seeks to enter into pre-clinical or clinical trials, there can be no guarantee that it will undertake such trials or that such trials will have a successful outcome. Further, any drug candidates developed by the Group may face competition from drugs candidates being developed by other organisations. While the Directors expect to partner on at the Phase I or Phase II Clinical Trials stage, there can be no guarantee that the Group will find a pharmaceutical or other company willing to act in partnership with it on terms acceptable to the Group.

Intellectual property risk

Should the Group be successful in developing drug candidates, it faces the risk of not being able to protect own intellectual property, and of being forced to initiate litigation to protect its position which may take time and money to resolve.

While the Directors do not believe that there are any patents that cover its area of activity and which would prevent it operating within that area, the Group may also find itself the subject of litigation by other parties who believe that the group is infringing patents of which the Group is not yet aware.

Reliance on third parties

The Group's activities may be dependent on third party suppliers of products and services as well as other organisations with which it has agreed to collaborate. Inadequate performance by these third parties may result in delays to the development of drug candidates or in the supply of services to customers. There is also a risk that the Group will fail to establish suitable commercial relationships with organisations that would enable the Group to achieve its objectives.

General economic conditions

Changes in the general economic climate in which the Group operates may adversely affect the financial performance of the Group. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Group, industrial disruption, interest rates and the rate of inflation.

Liquidity of the Ordinary Shares

The marketplace for the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates and changes in estimates in net asset value by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside the Group's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. The trading of Ordinary Shares on AIM should not be taken as implying that there will be a liquid market for Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List of the UK Listing Authority. Investors may not get back the whole of their investment.

The risks listed above do not necessarily comprise all those associated with an investment in the Company.

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

PART IV

FINANCIAL INFORMATION

ACCOUNTANTS' REPORT ON SAREUM HOLDINGS PLC

Grant Thornton

The Directors
Sareum Holdings plc
2 Pampisford Park
London Road
Pampisford
Cambridge
CB2 4EE

The Directors
Seymour Pierce Ellis Limited
Jubilee Walk
Three Bridges
Crawley
West Sussex
RH10 1LQ

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

5 October 2004

Dear Sirs

Sareum Holdings plc ("the Company")

1. Introduction

1.1 We report on the financial information set out in paragraphs 3 to 5. This financial information has been prepared for inclusion in the AIM admission document dated 5 October 2004 of Sareum Holdings plc.

Basis of preparation

1.2 The financial information set out in paragraphs 3 to 5 below is based on the management accounts of Sareum Holdings plc for the period from incorporation to 20 September 2004 prepared on the basis set out in paragraph 3 to which no adjustments were considered necessary.

Responsibility

1.3 Such management accounts are the responsibility of the directors of the Company who approved their issue.

1.4 The directors of the Company are responsible for the contents of the AIM admission document dated 5 October 2004 in which this report is included.

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

Basis of opinion

1.6 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the management accounts underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

1/4 Atholl Crescent, Edinburgh EH3 8LQ
T +44 (0)131 229 9181 **F** +44 (0)131 229 4560
DX ED428 Edinburgh
www.grant-thornton.co.uk

1.7 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

1.8 In our opinion the financial information gives, for the purposes of the AIM admission document dated 5 October 2004, a true and fair view of the state of affairs of the Company at 20 September 2004.

Consent

1.9 We consent to the inclusion in the AIM admission document dated 5 October 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Statutory information

2.1 The Company was incorporated on 7 June 2004 in England as Keepfast plc, registration number 5147578. The Company changed its name to Sareum Holdings plc on 12 July 2004. The company did not trade during the period from incorporation to the balance sheet date and no audited financial statements have been produced.

3. Accounting policies

Basis of accounting

The financial information was prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Investments

Investments are included at cost less amounts written off.

FINANCIAL INFORMATION

4. Balance sheet

	Note	*At 20 September 2004 £'000*
Fixed assets		
Investment in subsidiary	5.1	30
Current assets		
Amounts due from related undertakings	5.2	900
Net assets		930
Capital and reserves		
Called up share capital	5.3	60
Share Premium Account	5.3	870
Shareholders' funds: equity		930

The accompanying notes form an integral part of this financial information.

5. Notes to the financial information

5.1 *Investments*

	At 20 September 2004 £'000
Investment in subsidiary	30

The investment reflects the share for share exchange which took place on 5 July 2004 when Sareum Holdings plc acquired all the issued share capital of Sareum Limited.

5.2 *Current Assets*

	At 20 September 2004 £'000
Amounts due from related undertakings — Sareum Limited	900

The amounts due from Sareum Limited represent net funds paid to Sareum Limited to finance its operations and capital expenditure.

5.3 *Called up share capital*

	At 20 September 2004 £'000
Authorised	
Equity: 40,000,000,000 Ordinary shares of 0.025p each	10,000
Allotted and fully paid	
Equity: 240,000,000 Ordinary shares of 0.025p each	60

On 5 July 2004 the authorised share capital of the Company was increased to £10,000,000 by the creation of 900,000,000 ordinary shares of 1p. On 16 September 2004, each 1p share was subdivided into 40 shares of 0.025p each.

On 5 July 2004 the Company issued 3,000,000 ordinary 1p shares at par and 577,498 1p shares at 30p per share. On 16 September 2004, these shares were subdivided into 143,099,920 Ordinary Shares of 0.025p. On 20 September 2004, 36,892,080 ordinary shares of 0.025p were issued at 0.75p per share. On 20 September 2004, £450,000 loan notes were converted at 0.75p per share into 60,000,000 ordinary shares of 0.025p each.

The difference between the nominal value and the consideration has been credited to the share premium amount.

Yours faithfully,

GRANT THORNTON UK LLP

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Grant Thornton

The Directors
Sareum Holdings plc
2 Pampisford Park
London Road
Pampisford
Cambridge
CB2 4EE

The Directors
Seymour Pierce Ellis Limited
Jubilee Walk
Three Bridges
Crawley
West Sussex
RH10 1LQ

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

5 October 2004

Sareum Limited ("the Company")

1. Introduction

1.1 We report on the financial information set out in paragraphs 3 to 7. This financial information has been prepared for inclusion in the AIM admission document dated 5 October 2004 of Sareum Holdings plc.

Basis of preparation

1.2 The financial information set out in paragraphs 3 to 7 below is based on the financial statements of the Company for the period ended 30 June 2004 and has been prepared on the basis set out in paragraph 3.

Responsibility

1.3 Such financial statements are the responsibility of the directors of the Company who approved their issue. The directors of Sareum Holdings plc are responsible for the contents of the AIM admission document dated 5 October 2004 in which this report is included.

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

Basis of opinion

1.5 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. The evidence included that previously obtained by the auditors relating to the audit of the financial statements for the period ended 30 June 2004. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

1/4 Atholl Crescent, Edinburgh EH3 8LQ
T +44 (0)131 229 9181 **F** +44 (0)131 229 4560
DX ED428 Edinburgh
www.grant-thornton.co.uk

1.6 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

1.7 In our opinion the financial information gives, for the purposes of the AIM admission document dated 5 October 2004, a true and fair view of the results and cash flows of the Company for the period ended 30 June 2004 and the state of affairs of the Company at the end of this period.

Consent

1.8 We consent to the inclusion in the AIM admission document dated 5 October 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Statutory information

2.1 The Company was incorporated on 12 August 2003 as Sarela Limited and changed its name to Sareum Limited on 20 November 2003.

3. Accounting policies

Basis of accounting

The financial information was prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

In the preparation of the financial information for the period ended 30 June 2004 on a going concern basis, a business plan, cashflow forecasts and working capital requirements for the 12 month period from the date of Board approval of the financial statements were prepared by the Directors. The forecasts indicated that the Company was dependent on the continued support of the parent Company.

Revenue recognition

The revenue shown in the profit and loss account represents amounts invoiced during the period in respect of the provision of consultancy services and the hire of equipment to third parties.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Computer equipment — 3 years straight line basis

Laboratory equipment and machinery, and fixtures and fittings did not come into use until after 30 June 2004 and as such no depreciation has been provided in the period.

Amortisation

Amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual Property — 5 years straight line basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Company operates a money purchase pension scheme for the employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

4. Profit and loss account

	Note	*Period from 12 August 2003 to 30 June 2004 £'000*
Turnover	7(a)	21
Cost of sales		(35)
Gross loss		(14)
Other operating charges	7(b)	(104)
Operating loss	7(c)	(118)
Loss on ordinary activities before taxation		(118)
Tax on loss on ordinary activities	7(f)	—
Loss for the financial period		(118)
Basic loss per share	7(g)	(£0.30)

The Company has no recognised gains or losses other than the losses stated above.

All of the Company's activities continued during the period.

The accompanying notes form an integral part of this financial information.

5. Balance sheet

	Note	*As at 30 June 2004 £'000*
Fixed assets		
Intangible assets	7(h)	29
Tangible assets	7(i)	458
		487
Current assets		
Debtors	7(j)	93
Bank and cash at hand		142
		235
Creditors: amounts falling due within one year	7(k)	(810)
Net current liabilities		(575)
Total assets less current liabilities		(88)
Capital and reserves		
Called up equity share capital	7(o)	30
Profit and loss account	7(p)	(118)
Shareholders' funds	7(p)	(88)

The accompanying notes form an integral part of this financial information.

6. Cash flow statement

	Note	*Period from 12 August 2003 to 30 June 2004 £'000*
Net cash (outflow) from operating activities	7(q)	(5)
Capital expenditure		
Payments to acquire tangible fixed assets		(8)
Financing		
Sums received for capital expenditure		155
Net cash inflow from financing		155
Increase in cash	7(r)	142

The accompanying notes form an integral part of this financial information.

7. Notes to the financial information

(a) Turnover and loss on ordinary activities before taxation

The turnover and loss before tax are attributable to the two principal activities of the Company. The Company commenced trading on 26 September 2003. All turnover originated in the United Kingdom.

(b) Other operating charges

	Period from 12 August 2003 to 30 June 2004 £'000
Administrative expenses	104

(c) Operating loss

Operating loss is stated after charging:

	Period from 12 August 2003 to 30 June 2004 £'000
Amortisation	1
Depreciation of owned fixed assets	2
Auditors' remuneration:	
Audit fees	5
Non audit fees	1
Operating lease costs:	
Land and building	6

(d) Directors and employees

The aggregate payroll costs of the above were:

	Period from 12 August 2003 to 30 June 2004 £'000
Wages and salaries	26
Social security costs	3
Other pension costs	2
	31

Staff were only employed from June 2004 and therefore the average number of employees of 8 is for that month only.

(e) Directors

Remuneration in respect of directors is as follows:

	Period from 12 August 2003 to 30 June 2004 £'000
Emoluments receivable	14
Value of Company pension contributions to money purchase schemes	1
	15

The number of directors who are accruing benefits under Company pension schemes are as follows:

	Period from 12 August 2003 to 30 June 2004 Number
Money purchase schemes	3

The emoluments of the individual Directors' were as follows:

	Basic salary & fees £'000	*Total 2004 £'000*
T J Mitchell	5	5
J C Reader	5	5
D H Williams	5	5
	15	15

In addition, pension contributions of £872 were paid in respect of the directors.

(f) Taxation on ordinary activities

(i) Factors affecting current tax charge

The tax assessed for the period is higher than the standard rate of corporation tax that would result from applying the standard rate of United Kingdom corporation tax to the loss on ordinary activities. The differences are explained as follows:

	Period from 12 August 2003 to 30 June 2004 £'000
Loss on ordinary activities before tax	(118)
Loss on ordinary activities multiplied by rate of corporation tax of 19%	(22)
Expenses not deductible for tax purposes	3
Unutilised tax losses	19
Total current tax	—

(ii) Factors that may affect future tax charges

Unrelieved tax losses of approximately £99,000 remain available to offset against future UK taxable trading profits.

(g) Loss per share

The calculation of basic loss per ordinary share is based on a loss of £(118,000), being the loss for the period divided by the weighted average number of equity shares in issue during the period of 399,463. There is no dilutive effect on the loss per share and consequently this has not been calculated.

(h) Intangible fixed assets

	Intellectual Property £'000
Cost	
Additions	30
At 30 June 2004	30
Amortisation	
Charge for the period	1
At 30 June 2004	1
Net book value	
At 30 June 2004	29

(i) Tangible fixed assets

	Laboratory equipment & machinery £'000	*Fixtures & Fittings £'000*	*Computer equipment £'000*	*Total £'000*
Cost				
Additions	448	4	8	460
At 30 June 2004	448	4	8	460
Depreciation				
Charge for the period	—	—	2	2
At 30 June 2004	—	—	2	2
Net book value				
At 30 June 2004	448	4	6	458

(j) Debtors

	30 June 2004 £'000
Trade debtors	2
Other debtors	85
Prepayments and accrued income	6
	93

(k) Creditors: amounts falling due within one year

	30 June 2004 £'000
Trade creditors	586
Other taxation and social security	9
Pension creditor	2
Directors loan accounts	11
Accruals and deferred income	47
Amounts due to related parties	155
	810

The amounts due to related parties represents cash received from investors in Sareum Holdings plc for which shares were issued on 5 July 2004. The cash was used in Sareum Limited to fund working capital requirements and capital expenditure.

(l) Pensions

The Company contributes to the pension funds of various employees. The pension cost charge represents contributions payable by the Company to these funds and amounted to £1,661. Contributions totalling £1,661 were owed at the balance sheet date and are included in creditors

(m) Deferred taxation

The elements of deferred taxation, which result in a nil balance at the end of the period are as follows:

	30 June 2004 £'000
Excess of taxation allowances over depreciation on fixed assets	33
Tax losses available	(33)
	—

(n) Related party transactions

The Company's controlling and ultimate controlling related party are the directors of the Company by virtue of their directorships and shareholdings in the Company.

During the year the Company rented premises from Pharmorphix Limited, a Company in which Mr J T Stewart is the company secretary for £3,500. At 30 June 2004 £nil was outstanding.

Dr T J Mitchell, Dr J C Reader and Dr D H Williams lent the Company £4,250, £3,340 and £3,712 respectively during the period. There is no interest on these loans. At 30 June 2004 these loan accounts remained outstanding.

(o) Share capital

	30 June 2004 £'000
Authorised share capital:	
10,000,000 Ordinary shares of £0.01 each	100
Allotted, called up and fully paid:	
3,000,000 Ordinary shares of £0.01 each	30

The Company made an allotment of 2 ordinary £1 shares on incorporation and 1 ordinary £1 share on 4 December 2003. The sum paid for each share was £10 and the difference between the total consideration of £30 and the total nominal value of £3 has been credited to the share premium account.

On 19 May 2004 the 3 ordinary £1 shares were split into 300 ordinary £0.01 shares.

On 19 May 2004 the Company made an allotment of 2,999,700 ordinary £0.01 shares at £0.01 per share for consideration comprising intellectual property.

(p) Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	*Share premium account £'000*	*Profit and loss account £'000*	*Total shareholders' funds £'000*
Loss for the period	—	—	(118)	(118)
Issue of shares	30	—	—	30
At 30 June 2004	30	—	(118)	(88)

(q) Reconciliation of operating loss to net cash outflow from operating activities

	Period from 12 August 2003 to 30 June 2004 £'000
Operating loss	(118)
Amortisation	1
Depreciation	2
Increase in debtors	(93)
Increase in creditors	203
Net cash outflow from operating activities	(5)

(r) Reconciliation of net cash flow to movement in net funds

	30 June 2004 £'000
Increase in cash in the period	142
Movement in net funds in the period	142
Net funds at 12 August 2003	—
Net funds at 30 June 2004	142

(s) Analysis of changes in net funds

	At 12 August 2003 £'000	*Cash flows £'000*	*At 30 June 2004 £'000*
Cash in hand and at bank	—	142	142
Net funds	—	142	142

(t) Non cash items

During the period the Company purchased fixed assets for a cost of £460,188. At 30 June 2004 approximately £451,772 of this was outstanding and included within trade creditors.

(u) Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £6,814 as at 30 June 2004.

(v) Financial instruments

The Company finances its operations by raising finance through equity and borrowings. No speculative treasury transactions and no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash and borrowings. Short term debtors and creditors have been excluded from the following disclosures.

Interest rate risk

The Company finances its operations principally from equity funding. No interest was chargeable on the loan. There was no interest rate exposure during the period ended 30 June 2004.

Liquidity risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Company's policy throughout the year has been to ensure continuity of funding by a combination of equity funding and loans.

Maturity of financial liabilities

The Company's financial liabilities analysis at 30 June 2004 was as follows:

	2004 £'000
In less than one year or on demand	
Director's loan accounts	11

Fair values

Fair values of financial instruments equate to the book value as disclosed in the financial information.

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the accounts. This is due to the fact that they are of short maturity and if payable on demand the fair value is not materially different from the carrying value

Borrowing facilities

The Company does not currently have an agreed bank borrowing facility.

Currency risk

The Company has no exposure to currency risk.

(w) Post balance sheet events

On the 5 July 2004 under a share for share exchange, Sareum Holdings plc was formed and became the Company's parent undertaking. The investors who had provided capital contributions to Sareum Limited were issued 1 ordinary share of £0.01 each in Sareum Holdings plc for every £0.30 previously invested.

On 5 July 2004 Sareum Holdings plc issued £450,000 of loan notes to Zyzygy plc to provide funds for operations and capital expenditure. On 5 August 2004 new convertible loan notes were issued in Sareum Limited which superseded earlier loan notes of the same amount within Sareum Holdings plc. Under the terms of the deed Zyzygy plc have the right at any time to transfer all of its interests in the loan notes to the Company. Upon such a demand by Zyzygy plc the Company shall allot and issue fully paid at the rate of one ordinary share for every £0.30, nominal value, of loan notes. In addition certain covenants were given to Zyzygy plc for the protection of its rights to ordinary shares. These loan notes were exchanged for ordinary shares in Sareum Holdings plc on 20 September 2004

Yours faithfully

GRANT THORNTON UK LLP

PART V

STATUTORY AND GENERAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 4 of this document, accept individual and collective responsibility for the information contained in this document. To the best of the knowledge 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 makes no omission likely to affect the import of such information.

2. Company and its share capital and subsidiary

(a) The Company was incorporated on 7 June 2004 as Keepfast plc in England and Wales as a public limited company under the Act with registered number 5147578.

(b) The Company changed its name to Sareum Holdings plc on 12 July 2004.

(c) The principal legislation under which the Company operates is the Act and regulations made thereunder. The liability of members is limited.

(d) The registered office of the Company and its principal place of business in the United Kingdom is 2 Pampisford Park, London Road, Pampisford, Cambridge CB2 4EE.

(e) At the date of this document the authorised and issued share capital of the Company was as follows:

	Authorised		*Issued and fully paid*	
	Number	£	*Number*	£
Ordinary Shares	40,000,000,000	10,000,000	240,000,000	60,000

(f) On the date of Admission (following completion of the Placing and the issue of the Issue Shares), the authorised and issued share capital of the Company are expected to be as follows:

	Authorised		*Issued and fully paid*	
	Number	£	*Number*	£
Ordinary Shares	40,000,000,000	10,000,000	347,750,000	86,938

(g) The Directors are generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company such authority (unless previously revoked or varied) to expire on 4 July 2006 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry.

(h) The provisions of section 89(1) of the Act confer on Shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash (other than by way of allotment to employees under any employee share scheme as defined in section 743 of the Act)) do not apply to the current authorised but unissued share capital of the Company until 4 July 2006 but would apply to any increase in the authorised share capital of the Company. Subject to certain limited exceptions, unless the approval of Shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing Shareholders on a *pro rata* basis.

(i) On 5 October 2004 the Company granted options to Seymour Pierce Ellis, conditional upon Admission, to subscribe for such number of Ordinary Shares as are equal to 2 per cent. of the Enlarged Issued Share Capital (''SP Options''). Further details of the agreement with Seymour Pierce Ellis granting the SP Options are set out in paragraph 5 of this Part V.

(j) On 5 October 2004 the Company entered into a Consultancy Agreement with Billam AG under which it retained the right to issue Ordinary Shares to Billam AG in satisfaction of fees payable to Billam AG (''Billam AG Consultancy Agreement''). Further details of the Billam AG Consultancy Agreement are set out in paragraph 5 of this Part V. On the same date, the Company agreed to issue Ordinary Shares to Peter Hoskins and Jemima Thorpe in satisfaction of their fees, further details of which are set out in paragraph 5 of this Part V.

(k) On 5 October 2004 the Company entered into a put and call arrangement with Billam AG (''Billam AG Put & Call Option'') under the terms of which the Company has the right to call upon Billam AG to subscribe for up to 25,000,000 Ordinary Shares in the Company at the Placing Price and Billam AG has

a corresponding right to subscribe for such number of shares less any shares in respect of which the Company has exercised its option rights. The Company has the right to satisfy a fee payable to Billam AG of £25,000 by issuing Ordinary Shares to Billam AG at the Placing Price. Further details of the Billam AG Put & Call Option are contained in paragraph 5 of this Part V.

(l) No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

(m) Except as stated in this document:

(a) the Company does not have in issue any securities not representing share capital;

(b) there are no outstanding convertible securities issued by the Company;

(c) no share capital of the Company is under option or has been granted conditionally or unconditionally to be put under option;

(d) the Company has no present intention to issue any of the authorised but unissued share capital of the Company; and

(e) none of the Directors nor members of their families has a related financial product referenced to the Ordinary Shares.

(n) Sareum was incorporated on 18 August 2003 as Sarela Limited in England and Wales as a private limited company under the Act with registered number 4863659. It changed its name to Sareum Limited on 20 November 2003. Sareum's registered office is 2 Pampisford Park, London Road, Pampisford, Cambridge CB2 4EE. Its authorised share capital is £100,000 (divided into 10,000,000 ordinary shares of 1p each). Its issued share capital is £30,000 (divided into 3,000,000 ordinary shares of 1p each) and it is a wholly owned subsidiary of the Company.

3. Directors and their interests

(a) The directorships (other than of the Company) and partnerships held by each of the Directors at the date of this document and in the past five years preceding the date of this document are as follows:

Paul Harper

Current Directorships	*Previous Directorships*
Angel Biotechnology Limited	Provensis Limited
BioMedicon (sole trader)	
Physiomics plc	
RegenTec Limited	
Sareum Limited	

Tim Mitchell

Current Directorships	*Previous Directorships*
Sareum Limited	None

Edward Oliver

Current Directorships	*Previous Directorships*
ILP Realty (UK) Limited	AGN Shipleys (a partnership)
Olivers (a sole trader)	
SAL 2003 Limited	
Shake-a-Leg Limited	
Zyzygy plc	
Sareum Limited	

John Reader

Current Directorships	*Previous Directorships*
Sareum Limited	Aureum Limited

David Williams

Current Directorships	*Previous Directorships*
Sareum Limited	None

Alan Lamont

Current Directorships	*Previous Directorships*
Sareum Limited	Cresset Biomolecular Discovery Limited Pharmatrin Limited

(b) None of the Directors has:

(i) any unspent convictions relating to indictable offences;

(ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements with its creditors;

(iii) been a director of a company or limited liability partnership which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of or, within the 12 months preceding, such events;

(iv) been a partner of a partnership which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

(v) had any asset belonging to him which has been the subject of a receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

(vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or limited liability partnerships or from acting in the management or conduct of the affairs of any company or limited liability partnerships.

(c) At the date of this document, the interests (all of which are beneficial unless otherwise stated) of the Directors and persons connected with the Directors within the meaning of section 346 of the Act in the share capital of the Company as required to be notified to the Company pursuant to section 324 or section 328 of the Act and the existence of which is known to or could with reasonable due diligence be ascertained by any Director as at the date of this document and is expected to be immediately following Admission are as follows:

	Current		*As at date of Admission*	
	Number of Ordinary Shares	*Percentage of issued share capital held*	*Number of Ordinary Shares*	*Percentage of issued share capital held*
Paul Harper	1,333,333	0.6%	1,333,333	0.4%
Tim Mitchell	42,669,360	17.8%	42,669,360	12.3%
Edward Oliver	700,000	0.3%	700,000	0.2%
John Reader	43,336,000	18.1%	43,336,000	12.5%
David Williams	42,669,320	17.8%	42,669,320	12.3%
Alan Lamont	60,000	0.0%	60,000	0.0%

The holding of Ordinary Shares by John Reader includes 3,333,320 Ordinary Shares registered in the name of his spouse, Valerie Reader.

Save as disclosed above none of the Directors or persons connected with them (within the meaning of section 346 of the Act) has any interest whether beneficial or non beneficial in any share or loan capital of the Company.

(d) The following are particulars of the Directors' service agreements:

(i) *Tim Mitchell*

Dr Mitchell has entered into an Executive Service Agreement with the Company and Sareum dated 5 July 2004 effective from 7 June 2004 appointing him as Chief Executive Officer of the Company. Dr Mitchell will be paid a basic annual salary of £70,000 plus an annual bonus to be determined at the sole discretion of the remuneration committee of the Board relating to the achievement of certain performance targets. The contract is terminable by any party giving not less than six months' prior written notice to the others. The contract contains rights in favour of the Company and Sareum with regard to intellectual property rights and know-how developed or invented by Dr Mitchell, and also contains restrictive covenants given by Dr Mitchell.

(ii) *John Reader*

Dr Reader has entered into an Executive Service Agreement with the Company and Sareum dated 5 July 2004 effective from 7 June 2004 appointing him as Vice President of Chemistry of the Company. Dr Reader will be paid a basic annual salary of £70,000 plus an annual bonus to be determined at the sole discretion of the remuneration committee of the Board relating to the achievement of certain performance targets. The contract is terminable by any party giving not less than six months' prior written notice to the others. The contract contains rights in favour of the Company and Sareum with regard to intellectual property rights and know-how developed or invented by Dr Reader, and also contains restrictive covenants given by Dr Reader.

(iii) *David Williams*

Dr Williams has entered into an Executive Service Agreement with the Company and Sareum dated 5 July 2004 effective from 7 June 2004 appointing him as Vice President of Biology and Structural Sciences of the Company. Dr Williams will be paid a basic annual salary of £70,000 plus an annual bonus to be determined at the sole discretion of the remuneration committee of the Board relating to the achievement of certain performance targets. The contract is terminable by any party giving not less than six months' prior written notice to the others. The contract contains rights in favour of the Company and Sareum with regard to intellectual property rights and know-how developed or invented by Dr Williams, and also contains restrictive covenants given by Dr Williams.

(iv) *Edward Oliver*

Mr Oliver has entered into an Executive Service Agreement with the Company and Sareum dated 20 September 2004 effective from 5 July 2004 appointing him as part-time Finance Director of the Company and Sareum. Mr Oliver will be paid a basic annual salary of £30,000 plus an annual bonus to be determined at the sole discretion of the remuneration committee of the Board relating to the achievement of certain performance targets. The contract is terminable by any party giving not less than 6 months' prior written notice to the others.

(e) The following are particulars of the Non-executive Directors' letters of appointment:

(i) *Paul Harper*

By letter of appointment dated 20 September 2004 with the Company and Sareum, Dr Harper was appointed Non-executive Chairman of the Company effective from 1 September 2004. Dr Harper will be paid an annual fee of £50,000. The letter of appointment is terminable by any party giving to the other not less than six months' prior written notice.

(ii) *Alan Lamont*

By letter of appointment dated 20 September 2004 with the Company and Sareum, Dr Lamont was appointed Non-executive Director of the Company effective from 1 September 2004. Dr Lamont will be paid an annual fee of £10,000. The letter of appointment is terminable by any party giving to the other not less than six months' prior written notice.

(f) It is estimated that the aggregate emoluments of the Directors (including benefits in kind and pension contributions) in the current financial year ending 30 June 2005 will amount to £325,000 under arrangements in force at the date hereof. The aggregate remuneration and benefits provided to the Directors of the Company who were also directors of Sareum for the period from incorporation of Sareum on 12 August 2003 to 30 June 2004 was £15,413.

Other than as set out above, there have been no changes to Directors' service agreements in the last six months.

(g) Save as referred to in paragraphs (d) and (e) above, there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.

(h) Save as disclosed above and elsewhere in this document, there is no contract or arrangement to which the Company or Sareum is a party and which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.

Other interests

(i) At 4 October 2004 (the latest practicable date prior to the date of this document and following Admission) other than interests disclosed in paragraph (c) above the Directors are aware of the following holdings which represent an interest (within the meaning of Part VI of the Act), directly or indirectly, jointly or severally, in three per cent. or more of the issued share capital of the Company:

	As at 4 October 2004		*Immediately following Admission*	
	Number of Ordinary Shares	*Percentage of issued share capital held*	*Number of Ordinary Shares*	*Percentage of issued share capital held*
Zyzygy plc	69,498,800	29.0%	69,498,800	20.0%

Save as disclosed above, the Company is not aware of any person who, immediately following Admission will, directly or indirectly, be interested in three per cent. or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

4. Memorandum and Articles of Association

The principal object of the Company, which is set out in Clause 4 of its Memorandum of Association is a general commercial company.

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

Votes of members

(i) Subject to special rights or restrictions as to voting attached to any class of shares by or in accordance with the articles, at a general meeting every member present in person has on a show of hands one vote and every member present in person or by proxy has on a poll one vote for every share of which he is the holder.

(ii) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority is determined by the order in which the names of the holders stand in the register.

(iii) A member in respect of whom an order has been made by a court or official having jurisdiction (whether in the United Kingdom or elsewhere) that he is or may be suffering from mental disorder or is otherwise incapable of running his affairs may vote, whether on a show of hands or on a poll, by his guardian, receiver, curator bonis or other person authorised for that purpose and appointed by the court. A guardian, receiver, curator bonis or other authorised and appointed person may, on a poll, vote by proxy if evidence (to the satisfaction of the Board) of the authority of the person claiming to exercise the right to vote is received at the office (or at another place specified in accordance with the articles for the delivery or receipt of forms of appointment of a proxy) or in any other manner specified in the articles for the appointment of a proxy within the time limits prescribed by the articles for the appointment of a proxy for use at the meeting, adjourned meeting or poll at which the right to vote is to be exercised.

Transfer of shares

Save for in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instruction, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on

behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:

(i) it is in respect of a share which is fully paid up;

(ii) it is in respect of a share on which the Company has no lien;

(iii) it is in respect of only one class of share;

(iv) it is in favour of a single transferee or not more than four joint transferees;

(v) it is duly stamped (if required); and

(vi) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations (subject to any relevant requirements of the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

Failure to disclose interest in shares

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares (the ''Default Shares'') to give the Company the information thereby required within the prescribed period from the date of the notice, the following sanctions shall apply:

(i) the member shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll; and

(ii) where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

  (A) any dividend or other money payable in respect of the shares shall be withheld by the Company which shall not have any obligation to pay interest on it and the members shall not be entitled to elect to receive shares instead of a dividend; and

  (B) no transfer, of any certificated Default Shares shall be registered unless:

    (i) the member is not himself in default in supplying the information required; and

    (ii) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the Default Shares (whether on capitalisation, a rights issue or otherwise).

In respect of any Default Shares which are in uncertificated form the Board may by written notice require their holder to change them from uncertificated form into certificated form.

Dividends

Subject to the provisions of the Act and of the articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid proportionately to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution. Unless otherwise provided by the rights attached to any share, no dividends in

respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, direct that payment of a dividend may be satisfied by the distribution of specific assets including Ordinary Shares in the Company or in any other company.

Any dividend unclaimed after a period of 12 years from its due date of payment shall (if the Board so resolves) be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

Distribution of assets on liquidation

Subject to any rights or restrictions attached to any class of shares, on a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid on their respective shares at the commencement of the winding-up, or, with the sanction of an extraordinary resolution of the Company, be divided amongst the members *in specie* in such manner as shall be determined by the liquidator.

Changes in share capital

The Company may alter its share capital as follows:

(i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

(ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and

(iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

Directors' interests in contracts

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or any committee of the Board in respect of any transaction or any proposal to which the Company is or is to be a party and in which he has any material interest or duty which conflicts with the interests of the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

(i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

(iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights in such company;

(v) relating to an arrangement for the benefit of the employees of the company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

A Director may not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any

company in which the Company is interested (including fixing or varying the terms of such appointment or its termination).

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

Directors

Unless otherwise decided by the Company by ordinary resolution the aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall be such amount as the Board decides. Such sum (unless otherwise directed by the resolution of the Company by which it is approved) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside their ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the board may determine.

No Director is to retire from office pursuant to section 293 of the Act by reason of the fact that he has attained the age of 70 or any other age and section 293 of the Act does not apply to the Company.

Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

Redemption of Shares and Variation of Rights

Subject to the Act and to the rights attached to existing shares:

(a) shares may be issued on terms that they are to be redeemed or, at the option of the Company or the holder, are liable to be redeemed; and

(b) the rights attached to a class of shares may be varied or abrogated (whether or not the Company is being wound up) either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with article 68 of the Articles and other relevant provisions of the articles.

The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Act and article 39 of the articles of association of the Company.

Winding Up

On a voluntary winding up of the Company the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of Shareholders how the division is to be carried out between Shareholders or classes of Shareholders. The liquidator may not, however, distribute to a Shareholder without his consent an asset to which there is attached a liability or potential liability for the owner.

5. Material contracts

The following contracts have been entered into by the Group, otherwise than in the ordinary course of business, during the two years preceding the date of this document, and are or may be material:

(a) Investment Agreement

By an agreement dated 5 July 2004 between the Company, Sareum Limited, Zyzygy, Tim Mitchell, John Reader and David Williams (''Sareum Directors'') and certain other investors, Zyzygy agreed, subject to the satisfaction of certain conditions, to subscribe for convertible loan notes in the Company. Other investors agreed to subscribe for Ordinary Shares in the Company. Each of the conditions set out in the agreement were satisfied on 8 July 2004 upon which the agreement completed and the other investors, subscribed for Ordinary Shares and Zyzygy subscribed for £450,000 loan notes in Sareum Limited. Under the terms of the agreement each of the Sareum Directors agreed to take all reasonable steps to procure the admission of the Company to trading on AIM and a placing of the Ordinary Shares. Certain warranties were given by the Sareum Directors to Zyzygy and the other investors.

(b) Convertible Loan Notes

Pursuant to a loan note instrument and deed made between Sareum Limited, the Company and Zyzygy dated 5 August 2004, Zyzygy on 20 September 2004 exercised its right to convert its holding of £450,000 loan notes issued by Sareum Limited into 60,000,000 Ordinary Shares at the rate of 0.75p for each Ordinary Share

(c) Nominated Adviser Agreement

On 5 August 2004, the Company entered into an agreement with Grant Thornton Corporate Finance pursuant to which Grant Thornton Corporate Finance agreed to act as the Company's nominated adviser and to advise and assist the Company in respect of the AIM Rules. The agreement is terminable by either party on the giving to the other of thirty days' prior written notice. The agreement contains indemnities from the Company to Grant Thornton Corporate Finance.

(d) Broker Agreement

On 5 October 2004 the Company and the Directors entered into an agreement with Seymour Pierce Ellis (''Broker Agreement'') pursuant to which Seymour Pierce Ellis agreed to act as broker to the Company for the purpose of the AIM Rules. Under the terms of the agreement, Seymour Pierce Ellis is to be paid an annual retainer fee of £20,000 plus VAT payable in two equal instalments in advance every six months from 5 October 2004. The Broker Agreement is for an initial period of 12 months terminable thereafter by either party on not less than three months' prior written notice.

(e) Seymour Pierce Ellis Option Agreement

On 5 October 2004 the Company entered into an agreement with Seymour Pierce Ellis under which, subject to and conditional upon Admission, the Company has granted to Seymour Pierce Ellis options to subscribe at the Placing Price for Ordinary Shares representing 2 per cent. of the Enlarged Issued Share Capital. The options are exercisable by Seymour Pierce Ellis at any time from Admission for a period of five years. All of the unexercised options may be assigned by Seymour Pierce Ellis, but onward transfer by the assignee is not permitted.

(f) Placing Agreement

On 5 October 2004, the Company and the Directors entered into a conditional agreement (''the Placing Agreement'') with Seymour Pierce Ellis pursuant to which Seymour Pierce Ellis agreed to use its reasonable endeavours to procure placees, as agent for the Company for 100,000,000 Placing Shares at the Placing Price and to the extent it did not do so, then to subscribe for Placing Shares itself. The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 11 October 2004 (or such later date as the Company and Seymour Pierce Ellis may agree), being not later than 8 November 2004. Subject to the Placing becoming unconditional, the Company agreed to pay to Seymour Pierce Ellis a fee of £25,000 and commission of 3.5 per cent. of the value of the Placing Shares at the Placing Price, together with all costs and expenses and VAT thereon, where appropriate.

The Placing Agreement contains warranties and indemnities given by the Company and the Directors in favour of Seymour Pierce Ellis as to, *inter alia*, the accuracy of information contained in this document and other matters relating to the Company, the Group and its business.

Seymour Pierce Ellis is entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or any of the warranties contained in it.

(g) Assignment of Know-how Agreement and Sale of Ordinary Shares

By separate agreements each dated 4 June 2004 between Sareum and each of Tim Mitchell, John Reader and David Williams (''the Assignors''), each Assignor assigned all his rights, title and interest in certain know-how to Sareum. In consideration therefor, each Assignor was allotted and issued 999,900 ordinary shares of 1p each in the capital of Sareum.

On 5 July 2004 each Assignor sold all their holdings of ordinary shares in the share capital of Sareum to the Company in consideration of the allotment and issue on the same day to each Assignor of 1,000,000 ordinary shares of 1p each in the share capital of the Company.

(h) Acquisition of Assets

Pursuant to an agreement dated 31 October 2003 between Sareum, Tim Mitchell, John Reader and David Williams and QTL Biosystems (UK) Limited (''QTL'') (as subsequently varied) Sareum acquired from QTL a large quantity of laboratory and office equipment, which had been purchased from Millennium by QTL. The total payment made by Sareum for such assets was £358,336 plus VAT. A further payment of £93,436 plus VAT was made to cover the purchase of additional assets and expenses on 10 August 2004.

(i) Billam AG Consultancy Agreement

On 5 October 2004 Billam AG entered into a confirmatory agreement with the Company for the provision by Billam AG of general and strategic corporate services (''Consultancy Agreement''). The Consultancy Agreement commenced on 1 April 2004 and is for an initial fixed period of 18 months commencing on 1 April 2004 and on the expiry of such period is thereafter terminable by either party on giving to the other three months' written notice. In consideration for such services Billam AG will be paid a fee of £105,000 subject to Admission to be satisfied at the option of the Company (which it has resolved to exercise) by the allotment of Ordinary Shares at the Placing Price in relation to its services provided from 1 April to 30 September 2004. Billam AG will be paid in addition £1,000 per month payable monthly in arrears from 1 October 2004.

(j) Peter Hoskins Agreement

By an agreement dated 5 October 2004 the Company agreed to pay a fee of £21,000 to Peter Hoskins for certain introduction services provided by him to the Company. The Company reserved the right to issue 1,050,000 Ordinary Shares in satisfaction of the debt created by such fee at the Placing Price.

(k) Jemima Thorpe Agreement

By an agreement dated 5 October 2004 the Company agreed to pay a fee of £4,000 to Jemima Thorpe for work in relation to the preparation of the business plan of the Company. The Company reserved the right to issue 200,000 Ordinary Shares in satisfaction of the debt created by such fee at the Placing Price.

(l) Billam AG Put & Call Option

On 5 October 2004 the Company entered into a put and call option with Billam AG under the terms of which the Company has the right to call upon Billam AG to subscribe from time to time for an aggregate of 25,000,000 Ordinary Shares (Option Shares), at the Placing Price during the period ending 28 February 2006. Billam AG has a corresponding right to subscribe for up to the maximum number of the Option Shares less those in respect of which the Company had exercised its option. In addition, the Company agreed to pay Billam AG a fee of £25,000 as consideration for Billam AG agreeing to enter into the agreement. The Company has the right to require Billam AG to accept the issue of Ordinary Shares at the Placing Price in settlement of this debt.

(m) Material Contracts Lease Agreement

By a lease dated 15 July 2004 made between Padrino Properties Limited (Landlord) and Sareum Limited (Tenant) the Landlord demised the premises known as 2 Pampisford Park, Pampisford, Cambridge to the Tenant for a term of 10 years from 15 July 2004 at an annual rent of £122,740 payable from 15 September 2004 for the first 2 years and at annual rents of £129,960 and £144,000 from 15 July 2006 and 15 July 2007 respectively and subject to an upwards only rent review on 15 July 2009. The Tenant also agreed to pay a

service charge and agreed to pay all other outgoings relating to the premises, and further entered into covenants to repair and maintain the premises, and other covenants.

(n) Loan Agreement

By a Loan Agreement dated 15 July 2004 made between the Landlord (as defined in (m) above) and the Tenant (as defined in (m) above) the Landlord agreed to advance to the Tenant £150,000 and the Tenant agreed to repay the same equal quarterly instalments of £9,622.07 commencing on 15 July 2004 plus interest at 10 per cent. per annum.

6. Litigation

Neither the Company nor Sareum is engaged in any litigation or arbitration and, so far as the Directors are aware, has no litigation or claim pending or threatened against it which has, has had or may have a significant effect on the Company's financial position.

7. Group structure

At the date of this document the Company has one wholly owned subsidiary, Sareum.

8. Taxation

The following information is intended only as a general guide to the position under current United Kingdom law and Inland Revenue practice as at the date of this document for shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment and is not a substitute for the investors obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

(a) United Kingdom Residents

(i) Taxation of chargeable gains

If a Shareholder disposes of all or any of the Ordinary Shares acquired under the Placing he or she may, depending on the Shareholder's particular circumstances, incur a liability to taxation or chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, but are not entitled to an indexation allowance on assets acquired after 5 April 1998 to reduce the gain chargeable. Companies which hold shares as investments may be entitled to an indexation allowance to reduce the gain chargeable.

(ii) Stamp Duty and Stamp Duty Reserve Tax

Except in relation to certain categories of person, including market makes, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply:

No stamp duty or stamp duty reserve tax will be payable on the issue of the Placing Shares;

The transfer or sale of Ordinary Shares will normally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) 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, normally at the rate of one-half of one per cent. of the consideration paid.

(iii) 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 (such aggregate being the "gross dividend"). The value of the tax credit is currently one ninth of the net dividend (or 10 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.

Trustees of discretionary trusts and of trusts where dividend income is accumulated are liable to tax at the rate of 32.5 per cent. of the gross dividend receipt. The tax credit of 10 per cent. will be set against the trustee's tax liability in respect of the gross dividend and accordingly the trustees will have to pay additional tax at the rate of 22.5 per cent. of the gross dividend. This is a complex area and trustees of such trusts should consult their own tax adviser.

Non-United Kingdom Residents

Subject to certain exemptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man of the Channel Islands, nationals of states which are part of the European Economic Area and certain others, the right of a Shareholder who is not a resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation treaty between the UK and the country in which that person is resident. The tax credit is one ninth of the cash dividend paid. Persons who are not resident in the UK should consult their own tax advisers concerning their liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

Any person who is any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

9. Working capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing and the Billam AG Put & Call Option Agreement described in paragraph 5(l) of this Part V, the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

10. Intellectual property

The Company currently has copyright in, and know-how to, various processes, none of which is, in the opinion of the Directors, patentable. The Company has established systems for the protection of such intellectual property including by contract with its Directors and employees. Save as disclosed above, the Company is not dependent on patents or other intellectual property rights, licences or particular contracts and which are of fundamental importance to the Company's business.

11. Miscellaneous

(a) The total costs and expenses payable by the Company in connection with or incidental to the Admission including are estimated to amount to approximately £250,000 excluding VAT.

(b) The financial information for the relevant accounting periods set out in the Accountant's Reports in Part IV of this document concerning the Company and Sareum does not constitute statutory accounts of the Company and Sareum within the meaning of section 240 of the Act.

(c) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide sums required to be provided in respect of the matters specified in paragraph 21(a) to Schedule I of the POS Regulations is £1.85 million which will be applied as set out below:

(i)	Purchase of property	£nil
(ii)	Expenses of the Placing (including commissions)	£0.25 million
(iii)	Repayment of borrowings in respect of (i) and (ii) above	£nil
(iv)	Working capital	£1.60 million

(d) Save as disclosed in paragraph 5 of this Part V, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received directly or indirectly from the Company within the twelve months preceding the application for admission to trading on AIM, being the latest

practicable date prior to the date of this document; or entered into contractual arrangements for (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following: fees totalling £10,000 or more; or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or any other benefit with a value of £10,000 or more at the date of Admission.

(e) Save as disclosed, no exceptional factors have influenced the Group's activities.

(f) The Company's accounting reference date is 30 June.

(g) The Company has no significant investments in progress.

(h) Grant Thornton UK LLP has given and not withdrawn its written consent to the issue of this document with its name included in it and with the inclusion therein of its reports and references thereto in the form and context in which they are included for the purpose of paragraph 13(1)(g) of the POS Regulations and accepts responsibility for such report in accordance with paragraph 45(8)(b) of Schedule 1 to the POS Regualtions and have not become aware since the date of its report of any matter affecting the validity of such report at that date.

(i) Seymour Pierce Ellis has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

(j) Grant Thornton Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

(k) Grant Thornton Corporate Finance has been appointed nominated adviser to the Company. Under the AIM Rules the nominated adviser owes certain responsibilities to London Stock Exchange. In accordance with these rules, Grant Thornton Corporate Finance has confirmed to London Stock Exchange plc that it has satisfied itself that the Directors have received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance with Regulation 9 of the POS Regulations in respect of which the nominated adviser is not required to satisfy itself) have been complied with. Grant Thornton Corporate Finance has also satisfied itself that the contents of this document have been appropriately verified. In giving its confirmation to London Stock Exchange plc, Grant Thornton Corporate Finance has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself. No liability whatsoever is accepted by Grant Thornton Corporate Finance or its advisers for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and its Directors are solely responsible. Grant Thornton Corporate Finance does not regard itself as being, and is not, a "responsible person" (as that term is used in section 13 of the POS Regulations) in relation to this document.

(l) Save as set out in this document, there are no arrangements, nor are there intended to be any arrangements, for there to be dealings in the Ordinary Shares.

(m) Save as disclosed above there has been no significant change in the financial or trading position of the Group since 30 June 2004 being the date to which the audited financial statements of Sareum were prepared.

(n) Payment for the Placing Shares is due pursuant to the terms of the Placing Agreement.

(o) Subject to the terms of the Placing Agreement, the period during which the offer for securities under the Placing is open is from 4 October 2004 until Admission.

(p) The arrangements for the holding of subscription monies pursuant to the Placing and the return of monies where applications under the Placing have not been accepted are set out in the Placing Agreement and the documents entered into between Seymour Pierce Ellis and persons subscribing under the Placing.

12. Availability of this document

Copies of this document will be available free of charge from the Company at its registered office between the hours of 9.00 a.m. and 5.00 p.m., Monday to Friday (excluding UK public holidays) for a period of not less than one month from the date of Admission.

Dated 5 October 2004

Printed by greenaways, a member of the ormolu group. E151763