

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in investments of this kind authorised pursuant to the Financial Services and Markets Act 2000. An investment in Azure Holdings plc involves a high degree of risk and, in particular, your attention is drawn to the Risk Factors set out in Part II of this document.

If you have sold or transferred all your Existing Ordinary Shares in Azure Holdings plc ("Azure" or the "Company"), you should send this document, together with the accompanying Forms of Proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. If you have sold or transferred only part of your holding of Existing Ordinary Shares you should retain these documents.

This document comprises an admission document prepared in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

The Directors and the Proposed Directors, whose names appear on page 8 of this document, accept responsibility collectively and individually for the information contained in this document, other than the information contained in paragraph 15 of Part I of this document on the Concert Party. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors accept responsibility for the recommendation set out in paragraph 23 of Part I of this document. To the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case), the information for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the members of the Concert Party accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the New Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. 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. 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. The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the New Ordinary Shares or Consideration Shares to the Official List. Neither the New Ordinary Shares nor Consideration Shares will be dealt on any other recognised investment exchange and no other such application will be made. It is expected that trading in the New Ordinary Shares and Consideration Shares will commence on AIM on 3 October 2006.

Azure Holdings plc

(Registered in England and Wales under the Companies Act 1985, number 3916791)

Proposed Capital Reorganisation

Proposed acquisition of ValiRx Limited

Approval of waiver of the obligation to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers

Admission of the Enlarged Share Capital to trading on AIM

Change of name to ValiRx plc

and

Notices of Extraordinary General Meeting and Class Meetings

Nominated adviser and broker

WH IRELAND LIMITED

Share Capital

The following table shows the authorised and issued share capital of the Company¹

	Authorised as at Admission		Issued and fully paid at Admission	
	Number	£	Number	£
Ordinary Shares of 0.2p each	2,500,000,000	5,000,000.00	885,191,389	1,770,382.78
Deferred Shares of 0.9p each	1,017,988,790	9,161,899.11	545,871,567	4,912,844.10
Deferred Shares of 99p each	1,242,250	1,229,827.50	1,242,250	1,229,827.50

¹The number of ordinary shares of 0.2p each in issue on Admission assumes that no share options are exercised or loan stock under the convertible loan stock instrument 2005 are converted between the date of this document and the date of Admission. If share options are exercised or loan stock is converted the number of ordinary shares of 0.2p each in issue on Admission shall be revised accordingly.

The Consideration Shares will rank *pari passu* in all respects with the New Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the New Ordinary Shares after their issue.

WH Ireland, which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company. As the Company's nominated adviser under the AIM Rules, it owes certain responsibilities solely to the London Stock Exchange which are not owed to the Company or to any Director or any Proposed Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, expressed or implied, is made by WH Ireland as to any of the contents of this document. WH Ireland will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

This document includes "forward-looking statements" which includes all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual performance or achievements to differ materially from those in such forward-looking statements include those factors in Part II entitled "Risk Factors" and elsewhere in this document. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this document may not occur.

Notices of an Extraordinary General Meeting and of Class Meetings of the holders of Existing Ordinary Shares, 0.9p Deferred Shares and 99p Deferred Shares to be held at Halliwell's LLP, 1 Threadneedle Street, London EC2R 8AW at 10.00 a.m., 10.30 a.m., 10.45 a.m. and 11.00 a.m., respectively, on 2 October 2006 are set out at the end of this document. Shareholders will find enclosed with this document Forms of Proxy for use in connection with the Extraordinary General Meeting and the Class Meetings. To be valid, the Forms of Proxy should be signed and returned in accordance with the Instructions printed thereon so as to be received by Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU as soon as possible but in any event no later than 48 hours before such meetings are held. Completion and posting of the Forms of Proxy do not prevent a shareholder from attending and voting in person at the relevant meetings.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan.

The Existing Ordinary Shares have not been, and the New Ordinary Shares or Consideration Shares will not be, registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Existing Ordinary Shares, New Ordinary Shares and Consideration Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan or to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa or Japan. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Capital Reorganisation	2 October 2006
Publication of this document	8 September 2006
Latest time and date for receipt of forms of proxy in respect of the EGM and Class Meetings	
Extraordinary General Meeting	10.00 a.m. on 30 September 2006
Class Meeting of holders of Existing Ordinary Shares	10.30 a.m. on 30 September 2006
Class Meeting of holders of 0.9p Deferred Shares	10.45 a.m. on 30 September 2006
Class Meeting of holders of 99p Deferred Shares	11.00 a.m. on 30 September 2006
Date of the EGM and Class Meetings	
Extraordinary General Meeting	10.00 a.m. on 2 October 2006
Class Meeting of holders of Existing Ordinary Shares	10.30 a.m. on 2 October 2006
Class Meeting of holders of 0.9p Deferred Shares	10.45 a.m. on 2 October 2006
Class Meeting of holders of 99p Deferred Shares	11.00 a.m. on 2 October 2006
Admission effective and dealings in the New Ordinary Shares and Consideration Shares commence on AIM	8.00 a.m. on 3 October 2006
CREST stock accounts credited in respect of New Ordinary Shares and Consideration Shares	3 October 2006
Despatch of definitive share certificates in respect of New Ordinary Shares and Consideration Shares to be held in certificated form	10 October 2006

ADMISSION STATISTICS

Number of Existing Ordinary Shares	127,882,777
Number of Ordinary Shares into which Existing Ordinary Shares convert pursuant to the Capital Reorganisation	63,941,389
Number of Convertible Loan Stock Shares	180,000,000
Number of Consideration Shares to be issued	637,500,000
Number of Adviser Shares to be issued	3,750,000
Enlarged Share Capital	885,191,389
Market Capitalisation immediately following Admission ⁽¹⁾	£11.77 million
Number of Ordinary Shares into which Existing Ordinary Shares convert as a percentage of the Enlarged Share Capital	7.22%
Convertible Loan Stock Shares as a percentage of the Enlarged Share Capital	20.33%
Consideration Shares as a percentage of the Enlarged Share Capital	72.02%
Adviser Shares as a percentage of the Enlarged Share Capital	0.42%
Number of Deferred Consideration Shares to be issued	150,000,000
Number of ValiRx Option Shares that may be issued	195,000,000
Number of Ordinary Shares in issue following the issue of Deferred Consideration Shares and ValiRx Option Shares	1,230,191,389
Consideration Shares, Deferred Consideration Shares and ValiRx Option Shares as a percentage of the then enlarged share capital following their issue	79.87%

(1) Assuming a market price of 1.33p per share

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DEFINITIONS

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

"Acquisition"	the proposed acquisition by the Company of the entire issued share capital of ValiRx pursuant to the Acquisition Agreement and the October Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 8 September 2006 between (1) the Concert Party, (2) the Company and (3) ValiRx, details of which are set out in paragraph 11.14 of Part VII of this document
"Act"	the Companies Act 1985, as amended
"Admission"	the admission of the New Ordinary Shares and the Consideration Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"Adviser Shares"	3,750,000 Ordinary Shares to be issued to Berkeley Consultants Limited in lieu of fees, details of which are set out in paragraph 11.9 of Part VII of this document
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules governing the admission to and operation of AIM published by the London Stock Exchange as amended from time to time
"Articles"	the articles of association of the Company, as amended from time to time
"Azure" or "the Company"	Azure Holdings plc, a company registered in England & Wales with company number 3916791
"the Board" or "the Directors"	the directors of the Company whose names are set out on page 8 of this document
"Call Option Agreement"	the call option agreement entered into by (1) the Company and (2) the Cronos Minority Shareholders in connection with the ValiRx Option details of which are set out in paragraph 11.13 of Part VII of this document
"Capital Reorganisation"	the reorganisation of the share capital of the Company, details of which are set out in paragraph 13 of Part I of this document
"City Code"	the City Code on Takeovers and Mergers
"Class Meetings"	the separate class meetings of the holders of Existing Ordinary Shares, 0.9p Deferred Shares and 99p Deferred Shares, notices of which are set out at the end of this document
"Combined Code"	the principles of Good Governance and Code of Best Practice maintained by the Financial Reporting Council
"Completion"	completion of the Acquisition
"Concert Party"	MCC, MCC Europe, Rosemount Limited, Imperial Innovations, Dr Satu Vainikka, Dr Jacob Micallef, Dr George Morris, Ridgecrest, Dr Cameron Macdonald, Kevin Alexander, Farshid Zonoozi, Faranak Zonoozi, James Nicholas Thorniley, Anthony Moore, Vernon Sankey, Kenneth Denos, Sharon Clayton, Richard Meek, Guy Innes, John Savin, Paul Rudistill, Nigel Tose, Oliver Bates, Brendan Bates and Steven Eccles

"Consideration Shares"	the 637,500,000 Ordinary Shares to be issued pursuant to the Acquisition Agreement and the October Acquisition Agreement, all of which will be created in accordance with the Act
"Convertible Loan Stock Instrument 2005"	the convertible loan stock instrument entered into by the Company on 9 November 2005, further details of which are set out in paragraph 11.4 of Part VII of this document
"Convertible Loan Stock Instrument 2008"	the convertible loan stock instrument entered into by the Company on 18 July 2006, further details of which are set out in paragraph 11.5 of Part VII of this document
"Convertible Loan Stock Shares"	Ordinary Shares issued pursuant to the Convertible Loan Stock Instrument 2008
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
"Cronos"	Cronos Therapeutics Limited, a company registered in England & Wales with company number 05085935
"Cronos Minority Shareholders"	Dr Satu Vainikka, Dr Jacob Micallef, Dr George Morris and Dr Cameron Macdonald
"Current Articles"	the articles of association of the Company in effect at the date of this document
"Deferred Consideration Shares"	150,000,000 Ordinary Shares which may be issued to members of the Concert Party pursuant to the Acquisition Agreement on achievement of certain milestones, details of which are set-out in paragraph 11.14 of Part VII of this document
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company, convened for 10.00 a.m. on 2 October 2006, notice of which is set out at the end of this document
"EMI Scheme"	the Enterprise Management Incentive Share Option Scheme 2001, details of which are set out in paragraph 14.2 of Part VII of this document
"Enlarged Group"	the Company and, following Admission, ValiRx and Cronos
"Enlarged Share Capital"	the New Ordinary Shares and the Consideration Shares in issue immediately following the completion of the Proposals and assuming that there are no further conversions pursuant to the Convertible Loan Stock Instrument 2005
"Existing Ordinary Shares"	the 127,882,777 ordinary shares of 1p each in the capital of the Company in issue as at the date of this document
"Existing Share Capital"	the issued ordinary share capital of the Company at the date of this document
"Forms of Proxy"	the forms of proxy enclosed with this document for use by shareholders of the Company in connection with the EGM and the Class Meetings
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Funding"	a total sum of £1,700,000 in cleared funds to be invested as to £1,200,000 in respect of subscriptions for Loan Stock 2008 and as to

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£500,000 in respect of subscriptions for ValiRx Loan Stock, in respect of which undertakings to subscribe have been received, details of which are set out in paragraphs 11.6 to 11.8 and 11.18 of Part VII of this document

"Imperial Innovations"	Imperial Innovations Limited
"Loan Stock 2008"	loan stock to be issued by the Company pursuant to the Convertible Loan Stock Instrument 2008
"Locked-In Shareholders"	Rosemount Limited, MCC, Dr Satu Vainikka, MCC Europe, Dr Jacob Micallef, Dr George Morris, Ridgecrest, Dr Cameron Macdonald, Kevin Alexander, Anthony Moore, Barry Gold and Gerald Desler
"London Stock Exchange"	London Stock Exchange plc
"MCC"	Moore, Clayton & Co Inc.
"MCC Europe"	MCC Europe Limited, a wholly owned subsidiary of MCC
"MCC Warrant Shares"	13,710,602 Ordinary Shares to be issued to MCC Europe pursuant to the exercise of the MCC Warrants detailed in paragraph 11.16 of Part VII of this document
"Morphogenesis"	Morphogenesis Inc., a company incorporated under the laws of the State of Florida
"Morphogenesis Shares"	the shares of common stock to be transferred to ValiRx pursuant to the agreements described in paragraphs 11.21 and 11.22
"New Ordinary Shares"	ordinary shares of 0.2p each in the capital of the Company in issue following the Capital Reorganisation, the issue of Convertible Loan Stock Shares and the issue of Adviser Shares, all of which are to be created in accordance with the Act
"Nominated Adviser Agreement"	the Agreement dated 11 May 2006 between (1) the Company and (2) WH Ireland, further details of which are set out in paragraph 11.1 of Part VII of this document
"Notices"	respectively the notices of EGM and the Class Meetings set out at the end of this document
"October Acquisition Agreement"	the conditional agreement dated 8 September 2006 between (1) the Company and (2) October Investments Limited, details of which are set out in paragraph 11.15 of Part VII of this document
"Official List"	the official list of the UKLA
"Ordinary Shares"	ordinary shares of 0.2p each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Proposals"	the Capital Reorganisation, the Acquisition and Admission
"Proposed Directors"	the proposed new directors of the Company to be appointed on Admission whose names appear on page 8 of this document.
"Prospectus Rules"	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
"Reconstruction Share"	one ordinary share of 0.1p, following the proposed sub-division of each ordinary share of 1p each in the capital of the Company, every two of which are proposed to be consolidated into one Ordinary Share
"Registrars"	Capita Registrars

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"Resolutions"	the resolutions to be proposed at the EGM and Class Meetings, set out in the Notices at the end of this document
"Restricted Shareholders"	Farshid Zonoozi, Faranak Zonoozi, James Thorniley, Vernon Sankey, Guy Innes, John Savin, Paul Rudisill, Nigel Tose, Oliver Bates, Brendan Bates, Steven Eccles, Richard Meek, Sharon Clayton and Kenneth Denos
"Ridgecrest"	Ridgecrest Healthcare Group Inc., a Delaware corporation whose principal place of business is at 2301 Rosecrans Avenue, Suite 3180, El Segundo CA90245
"Share Option Schemes"	the Unapproved Scheme and the EMI Schemes, further details of which are set out in paragraph 14 of Part VII of this document
"Shareholder"	a holder of Existing Ordinary Shares in the capital of the Company
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the United Kingdom Listing Authority, being 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
"Unapproved Scheme"	the unapproved share option scheme of the Company, details of which are set out in paragraph 14.1 of Part VII of this document
"ValiRx"	ValiRx Limited, a company registered in England & Wales with company number 05834378
"ValiRx Loan Stock"	loan stock to be issued by ValiRx pursuant to the ValiRx Loan Stock Instrument
"ValiRx Loan Stock Instrument"	the convertible loan stock instrument entered into by ValiRx on 22 August 2006, further details of which are set out in paragraph 11.17 of Part VII of this document
"ValiRx Option"	an option for the Company to acquire the remaining balance of 39.72 per cent. of Cronos' share capital, not already held by ValiRx on Admission, pursuant to the Call Option Agreement
"ValiRx Option Shares"	Ordinary Shares proposed to be issued to the Cronos Minority Shareholders pursuant to the ValiRx Option
"Vendors"	MCC, MCC Europe, Rosemount Limited, October Investments Limited, Imperial Innovations, Dr Satu Vainikka, Dr Jacob Micallef, Dr George Morris, Ridgecrest, Dr Cameron Macdonald, Kevin Alexander, Farshid Zonoozi, Faranak Zonoozi, James Nicholas Thorniley, Anthony Moore, Vernon Sankey, Kenneth Denos, Sharon Clayton, Richard Meek, Guy Innes, John Savin, Paul Rudisill, Nigel Tose, Oliver Bates, Brendan Bates, Steven Eccles
"WH Ireland"	WH Ireland Limited
"0.9p Deferred Shares"	deferred shares of 0.9p each in the capital of the Company
"99p Deferred Shares"	deferred shares of 99p each in the capital of the Company.

Note:

In this document, the symbols '£' and 'p' refer to pounds and pence sterling, respectively, and the symbol US\$ refers to US Dollars being the currency of the United States of America.

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	Barry Gold ¹ (<i>Chairman</i>) Gerald Desler (<i>Finance Director</i>)
Proposed Directors	Anthony Roger Moore (<i>Non-Executive Chairman</i>) Satu Vainikka (<i>Chief Executive Officer</i>) Jacob Vincent Micallef (<i>Chief Operating Officer</i>) George Stephen Morris (<i>Chief Development Officer</i>) Kevin John Alexander (<i>Non-Executive Director</i>)
Company Secretary	Bernard Michael Sumner
Registered and Head Office	One Great Cumberland Place London W1H 7AL Telephone number: 0207 723 8833
Proposed New Registered and Head Office upon Admission	14 Hay's Mews London W1 5PT Telephone number: 0207 408 5400
Nominated Adviser and Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Auditors to Azure	Baker Tilly ² 2 Bloomsbury Street London WC1B 3ST
Reporting Accountants to Azure	Baker Tilly ² 2 Bloomsbury Street London WC1B 3ST
Reporting Accountants to ValiRx and Cronos	Adler Shine LLP ² Ashton House Cornwall Avenue London N3 1LF
Solicitors to the Company	Halliwells LLP 1 Threadneedle Street London EC2R 8AW

1 Barry Gold will resign upon Admission

2 Member firm of the Institute of Chartered Accountants in England and Wales

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Solicitors to the Vendors

Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

Solicitors to WH Ireland

Cobbetts LLP
Ship Canal House
King Street
Manchester
M2 4WB

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF AZURE HOLDINGS PLC

Azure Holdings plc

(Incorporated and registered in England and Wales under the Companies Act 1985
with registered number 3916791)

Directors:
Barry Gold (*Chairman*)
Gerald Desler (*Finance Director*)

Registered Office:
One Great Cumberland Place
London
W1H 7AL

8 September 2006

To the holders of Existing Ordinary Shares

Dear Shareholder

**Proposed Capital Reorganisation
Proposed acquisition of ValiRx Limited
Approval of waiver of the obligation to make a mandatory offer under Rule 9 of the City Code on
Takeovers and Mergers
Admission of the Enlarged Share Capital to trading on AIM
Change of name to ValiRx plc
and
Notices of Extraordinary General Meeting and Class Meetings**

1. Introduction

The Company has today announced that it has agreed, subject, *inter alia*, to Shareholder approval, to acquire the entire issued share capital of ValiRx for an initial consideration to be satisfied by the issue of the Consideration Shares and additional consideration, subject to the achievement of certain milestones, to be satisfied by the issue of the Deferred Consideration Shares, as set out in the Acquisition Agreement and the October Acquisition Agreement detailed in paragraphs 11.14 and 11.15, respectively, of this document.

By reason of the size of ValiRx in relation to Azure and the fundamental change in Azure's business, board and voting control, the Acquisition is classified as a reverse takeover under the AIM Rules and, therefore, requires the approval of Shareholders in general meeting. To complete the Proposals it will also be necessary to give the directors of the Company the required powers and authorities to allot the Consideration Shares, Deferred Consideration Shares and the ValiRx Option Shares.

The purpose of this document is to give you details of the Proposals and to ask you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting and the Class Meetings, notices of which are set out at the end of this document.

2. Background to, and reasons for the Acquisition

The Company's trading activities were terminated in January 2003 when its only remaining subsidiary, Room Service (UK) Limited, went into voluntary liquidation. Since this date, the Company has been exploring possible targets with the view of undertaking a reverse takeover under the AIM Rules.

The Directors have identified ValiRx as a target for a reverse takeover. ValiRx operates within the biotechnology sector and the Directors believe that the Acquisition offers Shareholders an opportunity to gain exposure to this sector and that the terms of the Acquisition are fair and reasonable and in the best interests of the Company and its shareholders.

2.1 *The healthcare market*

Healthcare is one of the dominant sectors of the global economy. Many worldwide demographic and economic trends favour a growing healthcare market driven by the rising disposable incomes seen in many areas of the developed world and emerging economies, coupled with the ageing populations in nearly all developed nations. The emerging new genetic and biotechnological understanding that is making previously

untreatable conditions amenable to therapeutic intervention also contributes to the predicted growth of the healthcare market.

In Europe alone, according to EU and national government statistical information, healthcare accounts for just less than 10 per cent. of GDP, or a market size of more than \$700 billion. In the largest healthcare market worldwide, the USA, according to US government estimates, spending on healthcare represents a \$1.1 trillion industry, or an estimated 14 per cent. of US GDP.

The Directors and Proposed Directors believe that the current healthcare industry deals primarily with treating the symptoms and effects of disease and, the industry is, and the Directors and Proposed Directors believe will in the near term be, generating large numbers of new predictive diagnostics and connected therapies. The Directors and Proposed Directors believe that these will not only aid in cutting conventional developmental timelines but will also drive the widely predicted development of individually tailored treatment regimes that will progressively replace the 'scattergun' therapies currently available. This is evidenced by the much more defined and regulatory restricted approvals of new pharmaceutical products and the growth in the diagnostic tools and information supporting such requirements.

The Directors and the Proposed Directors believe that healthcare economics and risk management are already controlling forces in marketing within the healthcare industry, and that technologies represented by the biopharmaceutical and diagnostic industries will further facilitate the rational use and allocation of resources.

The Directors and the Proposed Directors believe that the future healthcare economy will often be driven by irreconcilable pressures compelling the need for innovation and disruptive change, in order to replenish the pipeline with innovative new products. These pressures include:

- **Ageing populations and chronic disease** — the proportion of people over the age of 65 is increasing in the first world. Partly connected with the ageing populations is the higher prevalence of chronic diseases such as cardiac disease, cancer and stroke. As the greater frequency of such chronic diseases has increased, and the Directors and Proposed Directors believe will continue to increase, so demand for new and effective therapies and monitoring will increase.
- **Cost containment** — in the USA and many European nations, governments, health insurers and employers are attempting to contain healthcare costs. The Directors and Proposed Directors believe that this will encourage and accelerate the development of innovative discovery and developmental techniques directed at containing and potentially reducing the rise in the expenditure required to deliver new products to the market.
- **Consumer demands** — consumers and purchasers of life sciences are beginning to demand more, both in terms of lifestyle pharmaceuticals, and in information about the nature and the cost of care. This is creating significant demand for novel and niche products with improved information services and systems.

Given these demands and cost pressures, the Directors and Proposed Directors believe that healthcare providers are likely to be receptive to:

- better targeting of expensive treatments;
- extended use of preventive medicine;
- personalised screening of patients;
- reduced use of time in diagnosing specific problems; and
- increased substitution of place and type of care.

2.2 *The market opportunity*

During recent years, the pharmaceutical industry has been struggling to fill drug development pipelines. Many major diseases lack effective and safe treatments and the conventional drug development process is lengthy and resource intensive. Pharmaceutical companies have struggled to replace drugs that were reaching the end of their patent lives through its in-house research facilities alone. Several major diseases still lack effective and safe treatments and the conventional drugs currently in use frequently have limited applications because of side effects.

These factors have forced the pharmaceutical industry increasingly to look for novel, innovative technologies and products coming from the biotechnology industry and the Directors and Proposed Directors believe that this has created a major market opportunity for biopharmaceutical companies, such as ValiRx.

The pressure on pharmaceutical companies to retain their dominant position in the life sciences sector is such that they constantly require a healthy development pipeline comprising high value products for high prevalence conditions. The Directors and Proposed Directors believe that many companies will not be able to achieve this through their in-house research facilities alone and as a result, the market will see significant and sustainable growth in the number of strategic collaborations between pharmaceutical companies and small biotechnology companies, which are a constant source of novel drugs or technologies. For example, Astra-Zeneca has publicly stated that, in 2001, 50 per cent. of its research and development was derived from the databases of a single genomics company, Incyte Genomics Inc. The Directors and Proposed Directors do not regard this as an entirely new phenomenon, since many of the current generation of therapeutic products originated in small innovative developmental companies. The Directors and Proposed Directors believe that the trends in in-licensing new products at an early stage of their development and the out-sourcing of early stage laboratory and clinical research by pharmaceutical companies will continue to show rapid growth for many years.

Despite the role of small development companies, a sea change has occurred in the biotechnology industry, requiring companies to move even further away from a narrow specific product focus to acquiring "critical mass" and some diversity of risk, technologically, developmentally and geographically.

The Directors and Proposed Directors believe that combining products and technologies to produce an offering with a broader exposure, but interlocking technical focus, will result in providing a quicker and easier route to product development and revenues. A number of innovative technologies and products exist that have been developed to a pre-market stage and are in need of assistance to progress further by such means.

Small and early stage life science companies with highly innovative technologies and products may lack the business expertise to maximise the commercial and product opportunities available. In the case of academically derived technology and potential products, this problem may be accentuated significantly. Whilst experts in particular technologies and developmental areas may be very capable, they may find it challenging to seek suitable financing routes, as well as development and licensing partners.

These factors have created a market need, which the Enlarged Group intends to address. The Directors and Proposed Directors believe that the high growth potential of the products and technologies upon which it is focused, should help to create shareholder value.

3. Information on ValiRx

ValiRx is a biopharmaceutical development company, which was incorporated on 1 June 2006 with the intention of exploiting opportunities in the future healthcare, life sciences and biopharmaceutical industries. The directors of ValiRx are Dr Satu Vainikka and Dr George Morris.

ValiRx is looking to acquire the rights to developmental products either in therapeutics, with a particular focus on developing products in the biopharmaceutical sector, or closely related diagnostics. ValiRx has made the following acquisitions that are conditional on Admission:

- (a) **Cronos:** ValiRx will acquire 60.28 per cent. of the ordinary share capital of Cronos on Admission. The consideration will be satisfied by the allotment and issue to the shareholders of Cronos of 5,716 ordinary shares of 1p each in ValiRx. The Company will also hold an option to acquire from the Cronos Minority Shareholders the balance of 39.72 per cent. of the issued share capital of Cronos for a consideration of either £2,600,000 or the issue of the ValiRx Option Shares, at the Company's option. Details of the option are set-out in paragraph 11.13 of Part VII of this document.

Cronos is a biopharmaceutical company which owns the world exclusive licences to two innovative and, in the opinion of the Directors and Proposed Directors, potentially market-changing technologies:

- GenICE drugs, which have the potential to halt the development and growth of cancerous cells. The technology also has major applications in inflammatory disease and potentially in inherited genetic conditions. GenICE compounds work by shutting down the "harmful" genes that are the root cause of these diseases; and
- HyperGenomics, a rapid, high-throughput and extremely sensitive genetic analysis technology that can be used to characterise any particular cell, disease or differentiation state. It has many

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potential uses, especially in the continually growing fields of cancer diagnostics and stem cell quality control.

Cancer Research Technology Limited, a wholly owned subsidiary of Cancer Research UK, one of the leading oncology focused technology transfer and development companies, has partnered with Cronos for the therapeutic development of GeneICE, demonstrating the potential of these therapeutics. The technologies were originally developed at Imperial Innovations, which will become a shareholder in the Company following the completion of the Acquisition.

The GeneICE platform constitutes a completely new class of drugs, which can be developed for a wide range of therapeutic fields. GeneICE therapeutics offer a high value opportunity to introduce a revolutionary class of drugs designed to treat a wide range of diseases by gene silencing. It is intended that Cronos will create value for shareholders by combining a range of products in oncology, whilst seeking to license out the technology and potential future lead compounds. Innovative, targeted therapies are currently driving the cancer market and it is estimated that the market share for these therapies will grow by in excess of 30 per cent. annually for a number of years.

The pharmaceutical industry's shift towards developing targeted therapies has created a huge market potential for new diagnostic technologies. Many of the new classes of drugs under development (including GeneICE) require knowledge of a disease's genetic constitution in order to be effective, and this has generated the need for new low cost, high-throughput, and accurate genetic tests. There are over 4,000 diseases including cancer, heart disease and risk of strokes which could, in principle, be identified and profiled using genetic analysis tools; of these, only 300 can currently be tested for using such tools. Thus there exists a substantial emerging market for further development of diagnostic tests based on gene expression analysis. Cronos intends to address this need by using its proprietary HyperGenomics technology to provide a rapid, cost-effective and sensitive platform that can be used to characterise a particular cell, disease or differentiation state.

In addition to opportunities in the field of diagnostics, HyperGenomics has potential uses in research and drug development. One area where it may be particularly suitable is in the emerging but rapidly growing field of stem cell quality control, where it may be used to characterise differentiation states.

- (b) **Morphogenesis:** ValiRx will acquire 7.32 per cent. of the ordinary share capital of Morphogenesis on Admission. The consideration will be satisfied by the allotment and issue to vendors of such Morphogenesis shares of 1,657 ordinary shares of 1p each in the capital of ValiRx.

Morphogenesis is an established biotechnology company developing high value therapy products for the treatment of chronic disorders, where products include:

- a cancer vaccine product, ready to enter clinical studies;
- a cell purification device that is ready for marketing; and
- a potentially strong stem cell development programme.

Stem cell research is based upon the unspecialised development cells being able to "renew" through cell division growth. Due to their unspecialised nature, stem cells can be forced to become specialist cells in the right conditions, becoming a cluster of nerve tissue, or heart muscle cells. This ability is helping fuel science's desire to create cell based therapies to cure, treat and prevent crippling diseases.

- (c) Other opportunities have been identified by ValiRx. These opportunities will be complementary and synergistic to the products and technologies of Cronos and Morphogenesis.

The management team of ValiRx is experienced in transferring technologies and products into the commercial arena and in further developing them for successful commercial exits. The Directors and the Proposed Directors intend that following completion of the Proposals the Enlarged Group will, through ValiRx, maximise the value creation by continuing to expand its products and technologies, while simultaneously seeking to license or sell the relevant product on at the most advantageous stage (although save as disclosed in this document, no firm investment commitments have been made). It is also the intention that ValiRx will provide business development, finance and other centralised services in order to create value from the commercialisation of its products and technologies.

The value for biotech companies which possess novel therapies increases with passage through preclinical and clinical development. Thus the value achieved on licensing at early stages of development is a small percentage of the market potential as the development risk is high. As the therapy gets closer to market, its

value greatly increases. Whilst most of the ValiRx products are at the relatively early stage, the intention is that they will be balanced by products at a more mature developmental stage. It is also hoped that there can be cross fertilisation of ideas and that early stage products of one company can be actively marketed as tools and solutions within products and technology being developed by other members of the Enlarged Group, such as Cronos' GeneICE technology and its HyperGenomics gene mapping technology.

The Directors and Proposed Directors' intention is that the criteria for the Enlarged Group to become involved in future prospects will include one or more of the following attributes:

- high growth potential;
- strong Intellectual Property position;
- inventive and innovative products and technologies;
- attractive market size; and
- exit potential.

4. Information on Cronos

Cronos is a biopharmaceutical company, established in 2004, to develop and commercialise novel and groundbreaking classes of therapeutics and technologies in order to meet a huge market potential. Cronos' products are based on its two platforms, GeneICE and HyperGenomics which are undergoing rapid and cost effective development programmes.

Cronos' technologies

DNA is the "blueprint of life" and like a blueprint, it must be able to be "read" in order for a product to be made. At any one time around 99 per cent. of DNA in a cell is tightly packaged into a highly complex structure called chromatin and cannot be read. The remaining 1 per cent. is unpackaged and open to be read by the cell's internal machinery. The positioning of these open areas within the genome is highly dynamic, and changes in order to allow different genes to become active. Cronos' two proprietary technology platforms seek to exploit this (epigenetic) property:

- **GeneICE** is a gene-silencing technology which deactivates genes by repackaging specific "open" areas of DNA. DNA repackaging results in gene deactivation because the repackaged areas can no longer be read by the cell's internal machinery. Cronos has developed a rapid and cost-effective development program to bring GeneICE drugs to the marketplace. Initially, it is intended that the focus will be on developing anti-cancer drugs (oncology is a field in which Cronos has considerable core competence) and in addition, licensing or collaborative opportunities will be sought in other therapeutic areas.
- **HyperGenomics** is a tool which analyses genetic activity by detecting the unpackaged (open) areas of the cell's DNA (these occur in areas where genes are "active"). It has many potential applications, particularly in diagnosing and characterising diseases which have a genetic basis, such as cancer. HyperGenomics is based on Polymerase Chain Reaction (PCR), a very widely used process, and the nature of PCR confers it with several key advantages over certain competitors' technologies in terms of cost, speed of operation, accuracy, and repeatability.

Unlike "first generation" post-genomic technologies, GeneICE and HyperGenomics are used to detect and deactivate genes before they can be expressed. This means that cells are prevented from reading specific DNA and therefore cannot manufacture a specific protein, thereby precluding any adverse effects, provided the system is correctly understood and targeted, a process which is also added by the use of the hypergenomic approach. As such, they represent a step forward in the diagnosis and treatment of diseases such as cancer.

Following completion of the Proposals, the Directors and the Proposed Directors intend that risk will be minimised by developing a pipeline of GeneICE drug candidates which can be advanced at low cost to in vitro proof of principle. Once this has been achieved, the best commercial candidates will be selected for further development. It is intended that Cronos will seek to add additional value and further reduce risk by adding other complementary technologies to its product range. This will be achieved by licensing in such opportunities or by entering into co-development agreements. Cronos has already identified a potential candidate and has entered into discussions on a possible agreement.

Cronos is looking to implement multiple early stage licensing deals with GeneICE drugs in the disease areas relevant to each of the licensees. It is intended that Cronos will also proceed with its own internal therapeutics programme in the area of oncology for late stage licensing.

5. Information on Morphogenesis

Morphogenesis is an emerging biotechnology and cell therapy company, founded in 1995, that develops cell therapy products to treat chronic disorders. The prototype of Morphogenesis' first product is nearing completion and is intended to be ready for launch shortly. In addition there are several other products in the pipeline together with some commercially attractive technologies. Many products and technologies are protected by issued or pending patents and Morphogenesis is placing a priority on continuing to develop and expand its intellectual property portfolio.

Morphogenesis has three major product and technology platforms which are synergistic and closely related, being:

PACS, a device which allows the isolation and purification of adult stem cells. This system is highly specific and allows differential release of multiple cell types without altering their function or reducing their viability. The device will offer features in comparison to currently marketed cell separation systems, directly correlating into a more patient-friendly and accurate procurement of stem cells.

ImmunexFx, a cancer vaccine that will be the first of Morphogenesis' products to enter clinical trials. The ImmunexFx cancer vaccine capitalises on the ability of bacterial antigens to evoke a strong immune response and the ability of the patient's immune system to respond to the presence of the bacterial antigens by directing the force of the immune system specifically to the tumour.

MATCH, an enabling technology designed to facilitate the development of therapies using stem cells by overcoming the overriding problem of transplant rejection. The ability to transplant cells, tissues or organs is limited by the Major Histocompatibility Complex (MHC). By limiting the number of MHC mismatches and providing some "self" MHC antigens, the donor and recipient can be "**MATCH ed**".

Since its incorporation, Morphogenesis has focused the majority of its efforts on the continued development of its technologies and in the protection of its intellectual property. In addition to developing its own proprietary technology, it is intended that Morphogenesis will in-license technologies which enhance, complement or otherwise facilitate the commercialisation of existing and related products. It is intended that other ongoing efforts will focus on the progress of research and development programs, pre-clinical testing, regulatory approvals and corporate partnerships.

Morphogenesis has developed an extensive collection of proprietary products and technologies to overcome many major challenges currently facing the cell therapy industry. Each major platform is currently at a different stage of development and has different risk and return characteristics for Morphogenesis' shareholders.

6. Information on Azure

The Company was incorporated in England and Wales with the name Cube8.com Limited with registration number 3916791 on 26 January 2000 under the Act as a private limited company. The Company re-registered as a public company on 18 February 2000. On 14 June 2001 the Company changed its name to The Cube8 Group plc. On 8 January 2002 the Company changed its name to Room Service Group plc and on 27 November 2003 the Company changed its name to Azure Holdings plc.

The Company was admitted to trading on AIM on 28 February 2000 as Cube8.com plc as an incubator for investments in internet, telecoms, media and other technology companies and the provision of e-business consultancy services. In January 2002, it acquired Room Service (UK) Limited, now known as 240103 Limited a food delivery company. Following losses, Room Service (UK) Limited went into liquidation in January 2003 leaving the Company with no trading activities. The Company's investment portfolio was principally disposed of during 2002 with the residue being transferred following the liquidation of Room Service (UK) Limited in 2003.

Since January 2003, the Company has pursued potential acquisitions that would result in a reverse transaction, but without success. Following a change to the AIM Rules effective from 1 April 2005, companies that had been admitted to trading on AIM as investing companies prior to 1 April 2005, raising less than £3 million on admission, were required to make an acquisition by 1 April 2006 constituting a reverse takeover under the AIM Rules. If the investing company did not make the necessary acquisitions by 1 April 2006 its AIM securities would be automatically suspended from Monday, 3 April 2006. If an acquisition was

not then made within six months from suspension, the London Stock Exchange would cancel the admission of the company's AIM securities.

The Company was unable to complete a reverse transaction before the deadline and its Existing Ordinary Shares were suspended from trading on AIM from 3 April 2006. Under the AIM Rules it has six months from its suspension to complete a reverse transaction; failure to do so will result in the cancellation of its admission to trading on AIM.

Financial information on Azure is set out in Part III of this document.

7. Intellectual property

Cronos has entered into two exclusive patent licence agreements with Imperial Innovations for the development and commercialisation of the GeneICE and HyperGenomics technologies that are described in paragraph 4 above. *The term of the licences will extend for the life of the patents upon Admission. Under the terms of the patent licences, Imperial Innovations is entitled to royalties, including 5 per cent. of the net sales value of certain licensed products.*

8. Current trading and future prospects

Azure

The Company ceased trading in January 2003 following the disposal of its last remaining subsidiary Room Service (UK) Ltd and has not traded since this date.

ValiRx

ValiRx was incorporated in June 2006 and has not traded to date.

Cronos

During the period since 1 April 2006, Cronos has continued to trade in line with the expectations of the directors of Cronos.

Enlarged Group

The Directors and Proposed Directors believe that the prospects of the Enlarged Group are dependent upon the successful development of the products and technologies undertaken by ValiRx, Cronos and Morphogenesis.

If the Enlarged Group fails to generate sufficient cash through the provision of its services, then it will need to raise additional capital in order to fund the development of its products and technologies.

9. Strategy and competition

The Directors and Proposed Directors believe that because of ValiRx's sector specific expertise, the Enlarged Group's business strategy will have a strong competitive advantage over many existing life science companies. The Directors and the Proposed Directors intend to combine companies with complementary technologies and disease focus, which will also integrate the elements of drug development process.

The main competitors of the Enlarged Group will include the commercially operating technology transfer groups, and external seed funds focusing on early stage technologies and products. Many of these companies operate by transferring technologies from research institutions and companies to commercial organisations.

10. Dividend policy

Any cash generated by the Enlarged Group's operations in the short to medium term will be devoted to funding the Enlarged Group's planned development. Nevertheless, the Board will continue to review the appropriateness of its dividend policy as the Enlarged Group develops.

11. Directors and Proposed Directors

The Board currently comprises Barry Gold and Gerald Desler. It is proposed that, on Admission, the Proposed Directors will join the Board and Barry Gold will step down.

Directors

Mr Barry Gold (age 59), Chairman

Barry Gold is a solicitor with experience of acting for and being a director of fully listed and AIM quoted companies. He was the senior partner of Gold Mann & Co, a city firm of solicitors, from its founding in 1975 until he retired in 1998, remaining as a consultant for a further 3 years. He is currently a consultant at Manches LLP, a commercial law firm operating in London. Mr Gold is an FA licensed football agent, Chairman of Premier Management Holdings plc and a director of Matisse Holdings plc, both of which are AIM quoted companies.

Mr Gold is standing down from the Board on Admission.

Mr Gerald Desler (age 61), Finance Director and Proposed Finance Director

Gerald Desler is a chartered accountant, who qualified in 1968 with Stanley A Spofforth & Co., becoming a partner in 1970 and senior partner in 1985. During his time at Stanley A Spofforth & Co. Mr Desler specialised in consultancy work, much of it involving funding and venture capital and was involved in one of the first joint ventures in what was then the People's Republic of China in 1980. He is currently the finance director of Premier Management Holdings plc, an AIM quoted company, Babble.net Group plc, an Ofex quoted company and is company secretary and financial controller of AIM quoted London Asia Capital plc.

Proposed Directors

Mr Anthony Moore (age 60), Proposed Non-Executive Chairman

Anthony Moore is currently co-chairman of the board and co-chief executive officer of MCC and has held these positions since its founding in July 1999. His experience covers private banking, asset management, stock broking and international investment banking.

Prior to co-founding MCC, he was president and CEO of Los Angeles based New Energy Technologies. He previously served as chairman of corporate finance at Barclays de Zoete Wedd in London, where he also held the position of CEO of Global Investment Banking Services and was a member of the Board of Bankers Trust International. From 1982 to 1991, he held various senior positions with Goldman Sachs: Head of Investment Banking in Tokyo, Managing Director of Goldman Sachs Asia in Hong Kong and Executive Director responsible for large corporate clients in London. Throughout his career, he has built an extensive network of senior level contacts with governments, financial institutions and companies around the world.

Dr Satu Vainikka (age 39), Proposed Chief Executive Officer

Satu Vainikka has extensive experience in the biotechnology industry, technology commercialisation, equity financing and business management. She initially trained as a PhD molecular biologist, and is a biotechnology entrepreneur with several years' research experience in oncology with University of Helsinki and ICRF (now CRUK), before completing an MBA.

Prior to her current role as a CEO of ValiRx, she was a founder, director and CEO of Cronos. Her previous roles include being the founder and CSO of Gene Expression Technologies Ltd and consultancy roles in healthcare technology commercialisation and entrepreneurship. In her past roles, Dr Vainikka has successfully developed business strategies, negotiated corporate and academic collaborations and transactions to build high growth portfolios. She has also been successful in applications for grants and raised several rounds of private equity funding.

Dr Jacob Micallef (age 50), Proposed Chief Operating Officer

Jacob Micallef originally trained as a physical chemist and has 10 years experience in leading R&D in diagnostics for the World Health Organisation. He also initiated, established and managed the manufacture of diagnostics with Immunometrics Ltd before completing an MBA at Imperial College. His previous roles include founder and chief operations officer of Gene Expression Technologies Ltd. In this role, he led the development of a chemical synthesis for GeneICE molecules and was responsible for various functions within Cronos' operations.

Dr George Morris (age 50), Proposed Chief Development Officer

George Morris has over 20 years experience in biological and medical research and financial services. Currently he is a director of several biotech companies and is an adviser to a financial services company. In the past, he has been a CEO, an executive, director and founder of several life sciences companies and a consultant to, *inter alia*, Close Brothers and Beeson Gregory and built Quartz Capital Partners' Life Sciences activities.

For the majority of his career he has worked in academic and commercial scientific research in the fields of biochemistry and biotechnology with a particular focus on metabolic systems and their manipulation for medical and other reasons. He is a named author on approximately 50 peer-reviewed papers, numerous abstracts and short reports and a named inventor on multiple patents.

Mr Kevin Alexander (age 52), Proposed Non-Executive Director

Kevin Alexander is a solicitor and qualified as a member of the New York Bar and spent over 25 years practising law with major law firms in London and in the United States. Since leaving full time legal partnership, he has progressed various business interests, both in the energy sector and in private equity. Mr Alexander currently works part time for MCC.

12. Principal terms and conditions of the Acquisition

The Company has conditionally agreed to acquire the entire issued and to be issued share capital of ValiRx. The consideration is to be satisfied by the issue and allotment by the Company of the Consideration Shares. The Consideration Shares will, when issued, represent 72.02 per cent. of the Enlarged Share Capital. The Consideration Shares will be issued as fully paid and will rank *pari passu* in all respects with the New Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

In addition, the Acquisition Agreement contains provisions whereby up to 150,000,000 Deferred Consideration Shares may be issued to members of the Concert Party. The Deferred Consideration Shares will be issued as fully paid and will rank *pari passu* in all respects with the New Ordinary Shares and Consideration Shares in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid. For further details on the Acquisition Agreement, please see paragraph 11.14 of Part VII of this document. Assuming no further issue of shares and that all of the Deferred Consideration Shares are issued, the Consideration Shares and the Deferred Consideration Shares will, together, comprise 76.07 per cent. of the then enlarged share capital of the Company.

The entire issued and to be issued share capital of ValiRx is to be acquired pursuant to the Acquisition Agreement and the October Acquisition Agreement which are conditional *inter alia* upon:

- Admission;
- approval by Shareholders of the Capital Reorganisation;
- approval by the Shareholders of the Acquisition for the purposes of rule 14 of the AIM Rules;
- approval by the Shareholders of the waiver of the obligation of the Vendors to make a general offer for the Company under Rule 9 of the City Code;
- approval by the Shareholders of the increase in the authorised share capital of the Company;
- the Directors being granted by Shareholders the authority to allot all the Consideration Shares and generally;
- the disapplication of statutory pre-emption rights upon the issue of Ordinary Shares for cash;
- the adoption of new articles of association of the Company as anticipated by paragraph (i) of Resolution 2 set out in the Notice of EGM;
- evidence that the Company will on Admission have cash resources of not less than £1,171,111; and
- receipt by the Company in a form acceptable to the Company and WH Ireland of an opinion from counsel qualified in the State of Florida that the agreements transferring the Morphogenesis Shares to ValiRx is effective to transfer such shares under Florida law ("the US Opinion").

13. The Capital Reorganisation

Subject to the approval of Shareholders at the EGM, the Directors propose to reduce the number of issued and unissued ordinary shares of 1p each through the subdivision of each ordinary share of 1p each into one Reconstruction Share and one 0.9p Deferred Share. Every two Reconstruction Shares will then be consolidated into one Ordinary Share.

On the consolidation of Reconstruction Shares, where the number of Reconstruction Shares held by a Shareholder is not divisible by two, that Shareholder would become entitled to a half an Ordinary Share, fractional entitlements will not be able to be issued, so it is proposed that all fractions of shares resulting from the consolidation of Reconstruction Shares will be aggregated and consolidated into Ordinary Shares which will then be sold in the market at the best price reasonably obtainable. It is intended that the proceeds of such

sales to which any Shareholder is entitled are expected to be less than £3 so the proceeds will be applied for the benefit of the Company rather than being sent to the Shareholder entitled, as is permitted by the new Articles proposed to be adopted at the EGM.

14. The City Code

The terms of the Acquisition give rise to certain considerations under the City Code.

The City Code is issued and administered by the Panel. The Company is subject to the City Code and therefore its shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with them are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer in cash to all other shareholders of that company to acquire the balance of the shares not held by such a person (or group of persons acting in concert).

In addition, Rule 9 provides that where any person, together with persons acting in concert with them, is interested in shares in a company which is subject to the City Code and which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of that company's voting rights, and such person, or any person acting in concert with them, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in that company in which they are interested, such person is normally required, in the same way, to make a general offer to all shareholders.

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

The parties shown in the table below are together deemed to be acting in concert for the purposes of the City Code.

	Consideration Shares	Percentage holding of the Enlarged Share Capital	Deferred Consideration Shares	VallRx Option Shares	MCC Warrant Shares	Shareholding after the issue of Deferred Consideration Shares, VallRx Option Shares and MCC Warrant Shares ⁽¹⁾	Percentage holding after the issue of Deferred Consideration Shares and VallRx Option Shares and MCC Warrant Shares ⁽¹⁾
Rosemount Limited	78,750,000	8.90%	21,000,000	0	0	99,750,000	8.02%
Imperial Innovations	70,312,500	7.94%	18,750,000	0	0	89,062,500	7.16%
MCC	59,456,250	6.72%	15,855,000	0	0	75,311,250	6.05%
Dr Satu Vainikka	55,912,500	6.32%	14,910,000	59,432,703	0	130,255,203	10.47%
MCC Europe	54,168,750	6.12%	14,445,000	0	13,710,602	82,324,352	6.62%
Dr Jacob Micallef	50,287,500	5.68%	13,410,000	59,432,703	0	123,130,203	9.90%
Dr George Morris	37,125,000	4.19%	9,900,000	16,701,891	0	63,726,891	5.12%
Ridgecrest	33,750,000	3.81%	9,000,000	0	0	42,750,000	3.44%
Dr Cameron Macdonald	21,375,000	2.41%	5,700,000	59,432,703	0	86,507,703	6.95%
Kevin Alexander	16,312,500	1.84%	4,350,000	0	0	20,662,500	1.66%
James Thorniley	11,812,500	1.33%	3,150,000	0	0	14,962,500	1.20%
Anthony Moore	11,250,000	1.27%	3,000,000	0	0	14,250,000	1.15%
Vernon Sankey	9,843,750	1.11%	2,625,000	0	0	12,468,750	1.00%
Kenneth Denos	8,437,500	0.95%	2,250,000	0	0	10,687,500	0.86%
Sharon Clayton	8,437,500	0.95%	2,250,000	0	0	10,687,500	0.86%
Farshid Zonoozi	7,031,250	0.79%	1,875,000	0	0	8,906,250	0.72%
Faranak Zonoozi	7,031,250	0.79%	1,875,000	0	0	8,906,250	0.72%
Richard Meek	5,625,000	0.64%	1,500,000	0	0	7,125,000	0.57%
Guy Innes	5,625,000	0.64%	1,500,000	0	0	7,125,000	0.57%
John Savin	2,812,500	0.32%	750,000	0	0	3,562,500	0.29%
Paul Rudisill	2,812,500	0.32%	750,000	0	0	3,562,500	0.29%
Nigel Tose	1,406,250	0.16%	375,000	0	0	1,781,250	0.14%
Oliver Bates	1,406,250	0.16%	375,000	0	0	1,781,250	0.14%
Brendan Bates	1,406,250	0.16%	375,000	0	0	1,781,250	0.14%
Steven Eccles	112,500	0.01%	30,000	0	0	142,500	0.01%
Total	562,500,000	63.55%	150,000,000	195,000,000	13,710,602	921,210,602	74.06%

⁽¹⁾ Assuming no other share issues following Admission.

After completion of the Proposals, the Concert Party's interest in shares carrying voting rights in the Company will represent, in aggregate, 63.55 per cent. of the voting rights attaching to the Company's issued ordinary share capital.

The table above shows the interest of the Concert Party assuming that the Proposals are implemented.

The members of the Concert Party shown in the table above will receive additional Deferred Consideration Shares when the Company files a patent application with the UK Patent Office as set out in paragraph 11.14 of Part VII of this document. The Deferred Consideration Shares will be issued on or before the date 10 business days from the date on which Cronos files a patent application with the UK Patent Office.

On exercise of the ValiRx Option, either £2,600,000 will be paid, in aggregate, or 195,000,000 ValiRx Option Shares will be issued to, the Cronos Minority Shareholders, split between them as shown in the table above.

On exercise of the MCC Warrant detailed in paragraph 11.16 of Part VII of this document, 13,710,602 Ordinary Shares will be issued to MCC Europe.

Following the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrant Shares, the Concert Party's interest will increase to 74.06 per cent. of the voting rights attaching to the Company's then enlarged ordinary share capital, assuming no other issue of shares by the Company.

The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Acquisition and the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrant Shares, subject to the approval of Shareholders. Accordingly, Resolution 2 is being proposed at the EGM, and will be taken on a poll.

Shareholders should be aware that, following the Acquisition, the members of the Concert Party will together hold more than 50 per cent. of the voting rights attaching to the Company's issued share capital. Accordingly, the Concert Party, for so long as the members of the Concert Party continue to be treated as acting in concert, may be able to increase its aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer. However, individual members of the Concert Party will not be able to increase their percentage shareholdings through a Rule 9 threshold without Panel consent.

There have been no public takeover bids by third parties in respect of the Company's equity in the current financial year or the previous financial year.

Save for the City Code, there are no measures in place to ensure that any control by the Concert Party or any other shareholder having control over the Company as a result of its shareholding is not abused.

15. The Concert Party

The Concert Party comprises the parties shown in the table in paragraph 14 above. Biographies of Dr Satu Vainikka, Dr Jacob Micallef and Dr George Morris are set-out in paragraph 11 of Part I of this document. Details relating to the other members of the Concert Party holding over 3 per cent. of the Enlarged Share Capital following admission are set out below:

MCC

MCC was established in July 1999 by Anthony Moore and Sharon Clayton. MCC is a strategic financial advisory firm providing a wide range of financial advisory services to growing and established companies. It offers expertise and in-depth knowledge of various industries and financial markets in which it operates. It also provides strategic contacts to a global network of professionals, financial intermediaries and companies. MCC has offices and joint ventures in London, the United States and elsewhere and currently employs approximately 60 people worldwide.

Turnover for the financial years ending 31 December 2005 and 31 December 2004 was US\$10,396,273 and US\$7,065,820, respectively. Loss before income tax and minority interest at 31 December 2005 was US\$731,614 with a loss of US\$4,260,506 at 31 December 2004. Total assets at 31 December 2005 were US\$45,223,907 with total liabilities of US\$37,403,213. The directors of MCC are Anthony Moore, Sharon Clayton and Kenneth Denos.

MCC's principal place of business is at 10757 River Front Parkway, South Jordan, UTAH 84095, USA.

MCC Europe is a wholly owned subsidiary of MCC.

The registered office for MCC Europe is: York House, 1 Seagrave Road, London SW6 1RP.

Rosemount Limited

Rosemount Limited is a company incorporated in the Marshall Islands. It is a dormant company that has fully paid up share capital in issue of \$5,000, which is its only asset, and is the investment vehicle for Gary Wyatt, who is the sole director.

Gary Wyatt (FCA) is a qualified accountant. On qualification, he worked for Stoy Hayward where for several years he specialised in taxation. Before launching Wyatts Chartered Accountants with his wife, Karen Wyatt (FCA), an accountancy firm based in London that operates within areas of commerce, financial services and industry, Mr Wyatt spent a number of years working in the private sector as a finance director for various companies, including a firm of loss adjusters and later a multi-service public relations company.

The contact address for Rosemount Limited is: Rosemount Limited, c/o York House, 1 Seagrave Road, London SW6 1RP.

Imperial Innovations

Imperial Innovations is one of the UK's leading technology commercialisation companies. The company was founded in 1986 and is a wholly-owned subsidiary of Imperial Innovations Group plc, which was admitted to trading on AIM in July 2006. The company's integrated approach encompasses the identification of ideas, protection of intellectual property, development and licensing of technology and formation, incubation and investment in spin-out companies. A wide range of technologies are commercialised within the areas of bioscience and technology and engineering.

Based at Imperial College London, the company has established equity holdings in 58 spin-out companies and has completed 90 commercial agreements. Imperial Innovations also commercialises technologies originating from outside Imperial College through incubation contracts with the Carbon Trust and WRAP and with major technology based corporations.

Imperial Innovations currently holds shares in three spin-out companies now quoted on AIM: Ceres Power plc, a fuel cell company, and ParOS plc, a provider of energy-saving advanced control solutions, as well as Nanoscience plc, a developer of low power integrated circuits and silicon chips, following its acquisition of spin-out company Toumaz Technology.

Turnover for the financial years ending 31 July 2005 and 31 July 2004 was £3,935,000 and £4,005,000, respectively. Loss before taxation at 31 July 2005 was £2,240,000 with a loss of £1,036,000 at 31 July 2004. Net assets at 31 July 2005 were £19,464,000. The directors of Imperial Innovations are Dr Martin Knight, Susan Searle, Julian Smith, Dr Tidu Maini, Dr Paul Atherton and Mark Rowan.

The registered office of Imperial Innovations is: Level 12, Department of Electrical and Electronic Engineering, Imperial College, London SW7 2AZ.

Ridgecrest

Ridgecrest is a publicly traded company in the United States. The company had a market capitalisation of US\$7.5 million at flotation in October 2005 and trades under the symbol RGHG.PK. Ridgecrest is a healthcare management and service company providing strategic advisory and other services to healthcare companies.

The directors of Ridgecrest are Stuart Bruck, Phil Dalton and Kenneth Denos.

Ridgecrest was a dormant company on the Pink Sheets Exchange in the US until it completed a major acquisition at the end of 2005. As a Pink Sheet company, Ridgecrest was not required to publish financial statements or have an audit completed. Therefore, no public financial information is currently available on the company.

The principal place of business for Ridgecrest is: 2301 Rosecrans Avenue, Suite 3180, El Segundo CA90245.

Intentions of the Concert Party

The Company's trading activities were terminated in January 2003 when its only remaining subsidiary went into creditors' voluntary liquidation. Upon completion of the Proposals, it is intended that the Company will become the holding company for ValiRx Limited.

16. Lock-In and Orderly Marketing Agreements

The Locked-In Shareholders, who, following Admission, will together hold approximately 47.27 per cent. of the Enlarged Share Capital have entered into a lock-in and orderly market agreement not to dispose (save in certain circumstances below) of any shares held by them for a period of 12 months following Admission and only dispose of shares through WH Ireland for a period of 12 months thereafter.

The restrictions do not apply in the event of an intervening court order, the death of a party who has been subject to this rule or to disposals in the event of a take-over offer for the entire issued share capital of the Company. It also does not apply to the giving of an irrevocable undertaking to accept a take-over offer.

The Restricted Shareholders and Imperial Innovations, who, following Admission, will together hold approximately 16.28 per cent. of the Enlarged Share Capital have agreed that they will only dispose of shares through WH Ireland for a period of 12 months from Admission.

Details of the lock-in and orderly market agreements are set out in paragraphs 11.10 and 11.11 and 11.12 of Part VII of this document.

17. Corporate governance

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of the Company. As the Company grows, the intention of the Board is that the Company should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") and which are appropriate for a company of its size. The Board will take such measures, as far as is practicable, to comply with the Combined Code.

The Directors will establish an audit committee and a remuneration committee, each comprised of non executive directors.

It is intended that the audit committee will meet at least twice per annum and will be responsible for ensuring the integrity of the financial information reported to the shareholders and the systems of internal controls and will determine the terms of engagement of the Company's auditors. This committee provides an opportunity for reporting by the Company's auditors.

It is intended that the remuneration committee will meet at least twice per annum to determine and agree with the Board the framework or broad policy for the remuneration of any executive directors of the Company and such other members of any future executive management as it is designed to consider. The objective of this committee is to attract, retain and motivate executives capable of delivering the Company's objectives.

The Company will ensure, in accordance with Rule 21 of the AIM Rules, that its directors do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and intend to take reasonable steps to ensure such compliance by Directors and applicable employees. The Company has adopted a share dealing code for this purpose.

18. Admission, dealings and settlement

Admission is conditional upon receipt of the Funding. In the event that the Funding is not received in full by the Enlarged Group by 27 September 2006 no application for Admission will be made.

Application will, subject as set out above, be made to the London Stock Exchange for the New Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence on 3 October 2006.

The Directors are arranging with CrestCo Limited for the Ordinary Shares to be eligible for settlement through CREST from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if the relevant shareholder so wishes. Settlement of transactions in the Ordinary Shares through CREST is voluntary and shareholders who wish to receive and retain certificates will be able to do so.

19. Taxation

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 13 in Part VII of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate independent professional adviser immediately.

20. Extraordinary General Meeting

The Acquisition is classed as a reverse takeover for the purpose of the AIM Rules and is therefore conditional upon the approval of the Shareholders. An Extraordinary General Meeting has been convened for 10.00 a.m. on 2 October 2006 to be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW.

You will find set out at the end of this document a notice convening the EGM for the purpose of considering and if thought fit approving special resolutions to:

- (i) confirm the authorised and issued 0.9p Deferred Share Capital and to ratify the allotment of the 0.9p Deferred Shares;
- (ii) approve the Acquisition for the purposes of Rule 14 of the AIM Rules;
- (iii) approve the waiver of the obligation by the Concert Party to make a general offer under Rule 9 of the City Code as described above;
- (iv) increase the authorised share capital of the Company;
- (v) grant the Directors and Proposed Directors authority to allot Ordinary Shares pursuant to section 80 of the Act in connection with the Acquisition and generally;
- (vi) disapply statutory pre-emption rights upon the issue of Ordinary Shares for cash;
- (vii) approve Capital Reorganisation;
- (viii) change the name of the Company to ValiRx plc; and
- (ix) adopt new Articles as the articles of association of the Company.

In addition, you will find at the end of this document, notices convening Class Meetings of the holders of Existing Ordinary Shares, 0.9p Deferred Shares and 99p Deferred Shares to be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW at 10.30 a.m., 10.45 a.m. and 11.00 a.m. respectively on 2 October 2006 at which resolutions will be proposed to approve any variations to the rights of the holders of Existing Ordinary Shares, 0.9p Deferred Shares and 99p Deferred Shares which arise from the adoption of the new Articles at the EGM.

21. Action to be taken

Forms of Proxy are enclosed with this document. Whether or not you intend to be present at the EGM or the Class Meetings, you are asked to complete and return the Forms of Proxy (as appropriate) in accordance with the instructions printed thereon as soon as possible but in any event so as to arrive not later than 48 hours before the time of the:

- EGM, to be held at 10.00 a.m. on 2 October 2006 at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW;
- Class Meeting of holders of Existing Ordinary Shares, to be held at 10.30 a.m. on 2 October 2006 at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW;
- Class Meeting of holders of 0.9p Deferred Shares, to be held at 10.45 a.m. on 2 October 2006 at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW; and
- Class Meeting of holders of 99p Deferred Shares, to be held at 11.00 a.m. on 2 October 2006 at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW;

Completion and return of a Form of Proxy does not preclude you from attending the EGM or Class Meetings and voting in person, if you so wish. Accordingly, whether or not you intend to attend the EGM or Class Meetings you are asked to complete and return the enclosed Forms of Proxy as soon as possible.

22. Further information

Your attention is drawn to the additional information set out in Parts II to VII of this document.

23. Recommendation

The Directors, who have been so advised by WH Ireland, consider that the terms of the Proposals, together with the waiver by Shareholders of the obligation of the Vendors to make a general offer for the Company under Rule 9 of the City Code are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend shareholders to vote in favour of the Resolutions. In providing advice to the Directors, WH Ireland has taken into account the Directors' commercial assessments.

Yours faithfully

Barry Gold
Chairman

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PART II

RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial conditions, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group, which are described below and elsewhere in this document. Additional risks and uncertainties not currently known to the Board and the Proposed Directors may also have an adverse effect on the Enlarged Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Enlarged Group and is not set out in any order of priority.

1. Risks relating to the Enlarged Group

Early stage of operations

The Enlarged Group will, when formed, be at an early stage of development. The commencement of the Enlarged Group's material revenues is difficult to predict and there is no guarantee that the Enlarged Group will generate any material revenues in the foreseeable future. The Enlarged Group has a limited operating history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. The risks include the uncertainty as to which areas to target for growth. There can be no assurance that the Enlarged Group's proposed operations will be profitable or produce a reasonable return, if any, on investment.

Uncertainty Related to Regulatory Approvals

To market the Company's products, in most circumstances the Company and its distributors and agents must obtain various regulatory approvals and otherwise comply with extensive regulations regarding safety, quality and efficacy standards. These regulations, including the time required for regulatory review, vary from country to country, and can be lengthy, expensive and uncertain. While efforts have and will be made to ensure compliance with government standards, there is no guarantee that any products will be able to achieve the necessary regulatory approvals to promote that product in any of the targeted markets and any such regulatory approval may include significant restrictions for which the Company's products can be used. In addition, the Company may be required to incur significant costs in obtaining or maintaining its regulatory approvals. Delays or failure in obtaining regulatory approval for products would be likely to have a serious adverse effect on the value of the Company and have a consequent impact on its financial performance.

Uncertainty of Market Acceptance

The Company's current products are based on technologies that have not been used before and they must compete with more established products currently accepted in the targeted markets. Market acceptance of the Company's products will largely depend on the Company's ability to demonstrate their relative safety, efficacy, cost-effectiveness and ease of use. It is intended that the use of the Company's products will depend on customer awareness, marketing and sales efforts by the Company and through its third-party alliances.

High reliance on key personnel

The Enlarged Group will be dependent upon the involvement and contribution of the Proposed Directors. Whilst the Enlarged Group will endeavour to ensure that these individuals remain suitably incentivised, the loss of the services of one or more of them could adversely affect the ability of the Enlarged Group to achieve its objective.

Competition

Technological competition from pharmaceutical companies, biotechnology companies and universities is intense and can be expected to increase. Many competitors and potential competitors of the Company have substantially greater product development capabilities and financial, scientific, marketing and human resources than the Company. The Company's future success depends, in part, on its ability to maintain a competitive position, including an ability to further progress its products through the necessary pre-clinical and clinical trials towards regulatory approval for sale and commercialisation. Other companies may succeed

in commercialising products earlier than the Company's products or in developing products that are more effective than the Company's products. While the Company will seek to develop its capabilities in order to remain competitive, there can be no assurance that research and development by others will not render products controlled by the Company obsolete or uncompetitive or result in products superior to the company's products, or that the Company's products will be preferred to any existing or newly developed technologies.

Research and development risk

The Enlarged Group will be operating in the life sciences and biopharmaceutical development sector and will look to exploit opportunities within that sector. The Enlarged Group will therefore be involved in complex scientific research, and industry experience indicates that there may be a very high incidence of delay or failure to produce results. The Enlarged Group may not be able to develop new products or to identify specific market needs that can be addressed by technology solutions developed by the Enlarged Group. The ability of the Enlarged Group to develop new technology relies, in part, on the recruitment of appropriately qualified staff as the Enlarged Group grows. The Enlarged Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop as planned.

Intellectual property protection

The commercial success of the Enlarged Group will depend in part on its ability to protect its intellectual property and to preserve the confidentiality of its own research and product development. The Enlarged Group may not be able to protect and preserve its intellectual property rights nor to exclude competitors with similar technology products.

The Enlarged Group may seek to rely on patents to protect its assets. These rights act to prevent a competitor from copying and from independently developing products that fall within the scope of the patent claims. No assurance can be given that others will not gain access to any of the Enlarged Group's unpatented technology or disclose such technology or that the Enlarged Group can ultimately protect meaningful rights to such unpatented technology.

No assurance can be given that any pending or future patent or trade mark applications will result in granted patents or trade mark registrations, that the scope of any copyright, trade mark or patent protection will exclude competitors or provide advantages to the Enlarged Group, that in the future any patent granted in favour of the Enlarged Group will be held valid on being challenged or that third parties will not in the future claim rights in or ownership of the copyright, patents and other proprietary rights from time to time held by the Enlarged Group.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Enlarged Group's products or design around any pending patent applications or patents (if any) subsequently granted in favour of the Enlarged Group. Other persons may hold or receive patents which contain claims having a scope that covers products developed by the Enlarged Group (whether or not patents are issued to the Enlarged Group).

The commercial success of the Enlarged Group may also depend in part on non-infringement by the Enlarged Group of intellectual property owned by third parties, including compliance by the Enlarged Group with the terms of any licences granted to it. If this is the case, the Enlarged Group may have to obtain appropriate intellectual property licences or cease or alter certain activities or processes or develop or obtain alternative products or challenge the validity of such intellectual property in the courts.

Any claims made against the Enlarged Group's intellectual property rights, even if without merit, could be time-consuming and expensive to defend and could have a materially detrimental effect on the Enlarged Group given its limited resources. A third party asserting infringement claims against the Enlarged Group and its customers could require the Enlarged Group to cease the infringing activity and/or require the Enlarged Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly. In addition, the Enlarged Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on the Enlarged Group's business, financial condition or results.

Risks relating to manufacturing and commercial success

The Company's future success is dependent on its ability to manufacture or contract to have its products manufactured in commercial quantities, in compliance with regulatory requirements and in a cost effective manner. The manufacture of the Company's products is subject to regulation and periodic inspection by

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various regulatory bodies for compliance with GMPs, as well as equivalent requirements. There can be no assurance that the regulatory authorities will not, during the course of an inspection of existing or new facilities, identify what they consider to be deficiencies in GMPs or other requirements and request, or seek, remedial action. Failure to comply with such regulations or delay in attaining compliance may adversely affect the Company's activities and could result in warning letters, injunctions, civil penalties, refusal to grant market approvals or clearances of future or pending submissions, fines, recalls or seizures of products, total or partial suspensions of production and criminal prosecution.

The Company has not commercially launched any products and has no commercial manufacturing experience. To be successful, products must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. The Company does not have and does not intend to acquire facilities for production of products although it may invest production facilities if appropriate opportunities are available.

Dependence on Suppliers

The Company will be dependent on a limited number of specialty suppliers of products and services. These include suppliers of specialty chemicals and the outsourcing of manufacturing. The failure of a supplier to continue to provide the Company with its products or services at a quality acceptable to the Company, or at all, could have a material adverse effect on its business, financial condition and results of operations. Although the Company believes that it maintains good relationships with its suppliers and service providers, and is aware of alternative providers of critical supplies and products, there can be no guarantee that such supplies and services will continue to be available to the Company at reasonable cost and terms, if at all.

Increased Reliance on Third-party Agreements

The Company plans to place greater dependence on third party strategic alliances to develop and market its products. There can be no assurance that the Company will be able to establish further satisfactory arrangements with independent parties on an effective basis, if at all.

The amount and timing of resources which are devoted to the performance of the contractual responsibilities by third parties to any such strategic alliances will not be within the control of the Company. There can be no assurance that third parties will perform their obligations as expected, pay any required fees to the Company or develop and or market any products under these agreements, or that the Company will derive any revenue from such arrangements. Certain agreements may also permit these third parties to pursue existing or alternative technologies in preference to the Company's technology. There can be no assurance that the interests of the Company will continue to coincide with those of these third parties or that they will not develop independently or with other third parties products which could compete with the Company's products or those disagreements over rights or technology or other proprietary interests will not occur.

An important aspect of the Company's strategy is to form strategic business relationships with other organisations for the conduct of certain research and development and for the commercialisation of its projects. There is no guarantee that these relationships can be established or that they will be on commercially viable terms.

Availability of Adequate Insurance

Use of the Company's products entails the risk of product liability claims. Although the Company will maintain product liability insurance, the coverage limits of the Company's insurance policies may not be adequate and the insurance may not continue to be available on commercially reasonable terms, if at all. In addition, whether or not successful, any litigation brought against the Company could divert management's attention and time and result in significant expenditures.

General legal and regulatory issues

The Company's operations are subject to laws, regulatory restrictions and certain governmental directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and animal and human testing. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Company.

2. General risks

Legislation and compliance

This document has been prepared on the basis of current legislation, rules and practice and the Directors' and the Proposed Directors' interpretation thereof. Such interpretation may not be correct and it is always

possible that legislation, rules and practice may change. Any changes in legislation, and in particular any changes to bases of taxation, tax relief and rates of tax may affect the availability of any tax relief received.

Trading market for the Company's shares

The market price of the Company's shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside the Enlarged 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 of Ordinary Shares.

Investment risk and AIM

The Ordinary Shares will be admitted to trading on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. The price at which investors may dispose of their shares in the Enlarged Group may be influenced by a number of factors, some of which may pertain to the Enlarged Group, and others of which are extraneous. On any disposal, investors may realise less than the original amount invested.

Admission to AIM should not be taken as implying that there will be a liquid market for the 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.

Market Perception

Market perception of the Enlarged Group may change for a number of reasons, potentially affecting the value of investors' holdings and the ability of the Enlarged Group to raise further funds by the issue of further Ordinary Shares or otherwise. Some of the reasons affecting the market perception of the Enlarged Group may be outside the control of the Enlarged Group.

Additional capital and dilution

The Directors and Proposed Directors anticipate that the Enlarged Group will require additional capital in the future in order to develop products and technologies. If the Enlarged Group fails to generate sufficient cash through the provision of its services, then it will need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Enlarged Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing shareholders, the percentage ownership of the Company by shareholders may be reduced. Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no guarantee that any further capital raisings will be successful.

Dividends

There can be no assurance as to the level of any future dividends. In the initial years of development it is unlikely that the Company will pay a dividend. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the shareholders or, in the case of interim dividends, to the discretion of the directors of the Company at the time in question, and will depend upon, among other things, the Enlarged Group's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

The risks listed above do not necessarily comprise all those faced by the Enlarged Group.

PART III

FINANCIAL INFORMATION RELATING TO AZURE HOLDINGS PLC

SECTION A: FINANCIAL INFORMATION

PROFIT AND LOSS ACCOUNTS

		<i>Year ended 31 December</i>		
		<u>2003</u>	<u>2004</u>	<u>2005</u>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	<i>Notes</i>			
Administrative expenses		(86)	(345)	(134)
Profit on disposal of investments		10	—	—
Operating loss		<u>(76)</u>	<u>(345)</u>	<u>(134)</u>
Loss on disposal of subsidiary undertakings		(16)	—	—
Loss on ordinary activities before taxation	2	<u>(92)</u>	<u>(345)</u>	<u>(134)</u>
Taxation	5	—	—	—
Loss on ordinary activities after taxation	13	<u>(92)</u>	<u>(345)</u>	<u>(134)</u>
Loss per share	6	<u>(2.54p)</u>	<u>(0.86p)</u>	<u>(0.28p)</u>
Fully diluted loss per share	6	<u>(2.54p)</u>	<u>(0.86p)</u>	<u>(0.28p)</u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account for the years presented.

BALANCE SHEETS

		<i>As at 31 December</i>		
	<i>Notes</i>	<i>2003 £'000</i>	<i>2004 £'000</i>	<i>2005 £'000</i>
Current assets				
Debtors	10	7	7	1
Cash at bank		119	14	1
		<u>126</u>	<u>21</u>	<u>2</u>
Creditors: amounts falling due within one year	11	<u>(59)</u>	<u>(90)</u>	<u>(205)</u>
Net current assets/(liabilities)		<u>67</u>	<u>(69)</u>	<u>(203)</u>
Total assets less current liabilities		<u>67</u>	<u>(69)</u>	<u>(203)</u>
Capital and reserves				
Called up share capital	12	5,304	5,475	5,475
Share premium account	13	10,241	10,279	10,279
Profit and loss account	13	<u>(15,478)</u>	<u>(15,823)</u>	<u>(15,957)</u>
Equity shareholders' funds/(deficit)	13	<u>67</u>	<u>(69)</u>	<u>(203)</u>

CASH FLOW STATEMENTS

		<i>Year ended 31 December</i>		
		2003	2004	2005
		£'000	£'000	£'000
Net cash outflow from operating activities	Notes 14A	(76)	(225)	(63)
Disposals				
Cash disposed of with subsidiary undertakings		(1)	—	—
Financing				
Issue of equity shares		195	120	—
Loans		—	—	50
Increase/(decrease) in cash in year		<u>118</u>	<u>(105)</u>	<u>(13)</u>
Reconciliation of net cash flow to movement in net funds/(debt)				
	14B			
Increase/(decrease) in cash in year		118	(105)	(13)
Increase in loans		—	—	(50)
Change in net debt resulting from cash flows		<u>118</u>	<u>(105)</u>	<u>(63)</u>
Opening net funds		1	119	14
Closing net funds/(debt)		<u>119</u>	<u>14</u>	<u>(49)</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies, which have been consistently applied in the financial information of Azure Holdings plc and its subsidiary undertakings ("Azure") throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Basis of preparation of Group Financial Statements

As more fully detailed in note 9, during the year ended 31 December 2003 the company owned several subsidiary undertakings which were consolidated in the statutory financial statements for the year ended 31 December 2003. All of these companies were dormant during the year ended 31 December 2003 and were disposed of in this year. Consolidation principles applied used both merger and acquisition techniques as appropriate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between Azure Holdings plc's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Going concern

The financial statements have been prepared on a going concern basis in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

During the year ended 31 December 2005, the company incurred a loss of £134,000 (2004: £345,000, 2003: £92,000) and as at 31 December 2005 had net liabilities of £203,000 (2004: £69,000, 2003: net assets of £67,000). During January and February 2006 a further £415,540 of loan stock was issued under this instrument making a total of £420,540. Subsequently a total of £397,826 of loan stock has been converted into 79,565,207 ordinary shares of 1p each.

The directors have actively sought a suitable target for a reverse acquisition. In its announcement of a convertible loan note offer on 18 July 2006, the Company confirmed that it was in discussions with a proposed target, ValiRx Limited, a biopharmaceutical development company. Discussions with ValiRx Limited were progressing at this stage and the directors of the Company hoped to complete a reverse takeover under the AIM Rules before 3 October 2006.

The directors consider that this acquisition and these additional funds will enable Azure Holdings plc to meet its obligations as they fall due and accordingly have adopted the going concern basis of preparation.

The financial information does not reflect the adjustments that would be necessary were the acquisition and share issue not to proceed or if less proceeds were to be raised by the issue.

2. Operating loss

Operating loss is stated after charging:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Auditors' remuneration			
Audit services	5	5	5
Other services	3	2	2
	<u>8</u>	<u>7</u>	<u>7</u>

Amounts payable to the auditors and their associates in respect of both audit and non-audit services:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Audit services			
— statutory audit	5	5	5
Tax services			
— compliance services	3	2	2
	<u>8</u>	<u>7</u>	<u>7</u>

3. Staff costs

Staff costs, including directors' emoluments:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Salaries and fees	3	23	24

The average number of persons, including directors, employed by the company was as follows:

	<i>Number</i>	<i>Number</i>	<i>Number</i>
Administration and operations	<u>3</u>	<u>3</u>	<u>2</u>

4. Directors' emoluments

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Salaries and fees	3	23	24

5. Taxation

Factors affecting tax charge for the period

The tax charge for the year does not equate to the loss before tax at the standard rate of corporation tax in the United Kingdom of 30 per cent. (2004: 30 per cent.; 2003: 30 per cent.). The differences are explained below:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss on ordinary activities before tax	(92)	(345)	(134)
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30 per cent. (2004: 30 per cent.; 2003: 30 per cent.)	(28)	(104)	(40)
<i>Effects of:</i>			
Expenses not deductible for tax purposes and additions to tax losses	28	104	40
Current tax charge for the period	—	—	—

As at 31 December 2005, Azure Holdings plc had accumulated taxation losses of approximately £950,000 (2004: £817,000; 2003: £658,000) arising from management expenses and approximately £1,477,000 (2004: £1,477,000; 2003: £1,477,000) of capital losses.

A deferred tax asset has not been recognised in respect of these losses as they are not expected to be used in the foreseeable future.

6. Loss per share

Loss per share is calculated on a net basis using the loss on ordinary activities and the weighted average number of shares detailed below.

In calculating fully diluted loss per share, the weighted average number of shares is adjusted for the effect of dilutive share options issued under share option schemes.

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Basic and diluted loss attributable to ordinary shareholders	(92)	(345)	(134)
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares	3,625,812	39,767,965	48,317,569
Dilutive share options	—	—	—
Adjusted weighted average number of ordinary shares	3,625,812	39,767,965	48,317,569
Loss per share	(2.54p)	(0.86p)	(0.28p)
Fully diluted loss per share	(2.54p)	(0.86p)	(0.28p)

7. Intangible fixed assets

	<i>Goodwill</i> £'000
Cost	
As at 1 January 2003	1,390
Disposals	(1,390)
As at 31 December 2003, 2004 and 2005	—
Amortisation	
As at 1 January 2003	1,390
Disposals	(1,390)
As at 31 December 2003, 2004 and 2005	—
Net book value	
As at 31 December 2003, 2004 and 2005	—

8. Tangible fixed assets

	<i>Office equipment</i> £'000	<i>Computer equipment</i> £'000	<i>Total</i> £'000
Cost			
As at 1 January 2003	186	130	316
Disposals	(186)	(130)	(316)
As at 31 December 2003, 2004 and 2005	—	—	—
Depreciation			
As at 1 January 2003	186	130	316
Disposals	(186)	(130)	(316)
As at 31 December 2003, 2004 and 2005	—	—	—
Net book value			
As at 31 December 2003, 2004 and 2005	—	—	—

9. Investment in subsidiary undertakings

All subsidiary companies (with the exception of Room Service (UK) Limited — see below) were disposed of on 11 September 2003 and were dormant from 1 January 2003 up to the date of disposal:

	<i>Country of registration</i>	<i>Class of shares held</i>	<i>Percentage of shares held</i>	<i>Nature of business</i>
Cube8 Ventures Limited	England and Wales	Ordinary	100%	Intermediate holding company
Portal Management Limited	England and Wales	Ordinary	100%	Management company
Blue Carrots Nominee Limited	England and Wales	Ordinary	100%	Holding company
Blue Carrots plc	England and Wales	Ordinary	100%	Non-trading

On 23 January 2003, Room Service (UK) Limited was placed into voluntary liquidation. The profit and loss account and cash flows of Room Service (UK) Limited have not been included in the consolidated financial statements for the year ended 31 December 2003, on the basis that to do so would be inconsistent with the requirement to give a true and fair view.

The unaudited management accounts of Room Service (UK) Limited showed net liabilities at 23 January 2003 of £1,249,000. The company did not trade in the period 1 January 2003 to 23 January 2003. The company's investment in Room Service (UK) Limited and any amounts owing to the company by Room Service (UK) Limited have been fully written off. The company has no ongoing financial or operational commitments as a result of its previous ownership of Room Service (UK) Limited.

10. Debtors

	As at 31 December		
	2003 £'000	2004 £'000	2005 £'000
Other debtors	7	7	1

11. Creditors: amounts falling due within one year

	As at 31 December		
	2003 £'000	2004 £'000	2005 £'000
Loans	—	—	50
Trade creditors	27	68	119
Taxation and social security	17	9	—
Other creditors and accruals	15	13	36
	<u>59</u>	<u>90</u>	<u>205</u>
Analysis of debt maturity:			
In one year or less on demand	—	—	50

Of the £50,000 loan, £44,000 was repaid in January 2006. The balance was transferred into convertible unsecured loan stock (see note 12).

12. Share capital

	As at 31 December		
	2003 £'000	2004 £'000	2005 £'000
Authorised:			
417,988,790 deferred shares of 0.9p each	3,762	3,762	3,762
300,827,345 new ordinary shares of 1p each	3,008	3,008	3,008
1,242,250 new deferred shares of 99p each	1,230	1,230	1,230
	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Issued and fully paid:			
417,988,790 deferred shares of 0.9p each	3,762	3,762	3,762
48,317,569 (2004: 48,317,569; 2003: 31,242,250) new ordinary shares of 1p each	312	483	483
1,242,250 new deferred shares of 99p each	1,230	1,230	1,230
	<u>5,304</u>	<u>5,475</u>	<u>5,475</u>

On 20 October 2003, 124,225,069 issued ordinary 1p shares were consolidated into 1,242,250 ordinary shares of £1 each. The newly consolidated shares were then subdivided into 1,242,250 new ordinary shares of 1p each and 1,242,250 new deferred ordinary shares of 99p each.

On 2 December 2003, the company issued 10,500,000 new ordinary shares at par as consideration for the conversion of £105,000 in creditors. On the same date, the company issued 19,500,000 new ordinary shares at par for cash.

During the year ended 31 December 2004, the company issued 15,825,319 new ordinary shares of 1p each were issued at par and a further 1,250,000 new ordinary shares of 1p each at a premium of 3p per share. Of the total shares issued in this year, 11,989,319 were issued for cash consideration.

On 9 November 2005 the company issued a convertible unsecured loan stock instrument under which £500,000 nominal of loan stock was created which is convertible into 100,000,000 ordinary shares of 1p each (£1,000,000 of nominal capital).

The loan stock carries no interest and is repayable, if not converted, together with a premium of £1 for each £1 nominal of loan stock on 31 December 2006.

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As at 31 December 2005, £6,000 of loan stock had been issued under this instrument, none of which had been converted at the year end. This amount is included in creditors falling due within one year (see note 11).

During January and February 2006 a further £414,540 of loan stock was issued under this instrument making a total of £420,540. Subsequently a total of £397,826 of loan stock has been converted into 79,565,207 ordinary shares of 1p each.

On 18 July 2006, the Company announced that it had issued a letter to the holders of ordinary shares of 1p each, offering them the opportunity to participate in the subscription of up to £1,200,000 nominal unsecured convertible loan stock 2008. On 4 August 2006, the Company announced that it had received applications for a total of £58,000 in this regard and these applications had been satisfied in full.

On 8 September 2006, the Company granted 9,140,401 warrants to WH Ireland Limited. Each warrant is exercisable for a period of three years from the date of admission to AIM and gives the right to subscribe for one ordinary share of 0.2p each in the capital of the Company at a price of $\frac{2}{3}$ pence per share.

On 8 September 2006, the Company granted 13,710,602 warrants to MCC Europe Limited. Each warrant is exercisable for a period of two years from the date of admission to AIM and gives the right to subscribe for one ordinary share of 0.2p each in the capital of the Company at a price of $\frac{2}{3}$ pence per share.

Share option schemes

Options granted under an Unapproved share option scheme to subscribe for 54,555,000 ordinary shares at 1p per share have been adjusted to options over 54,555 new ordinary shares exercisable at 10p per share following the capital reconstructions at 4 January 2002 and 20 October 2003.

Options granted under an Unapproved share option scheme to subscribe for 2,737,675 ordinary shares at 1p per share have been adjusted to options over 27,3876 new ordinary shares exercisable at £2.10 per share following the capital reconstruction at 20 October 2003.

Options granted under an EMI Share option scheme to subscribe for 9,579,977 ordinary shares have been adjusted to options over 95,797 new ordinary shares exercisable at £2.10 per share. The scheme was cancelled on 6 February 2004.

Warrants to subscribe for 4,916,302 ordinary shares at 17p per share were adjusted to warrants to subscribe for 4,915 new ordinary shares exercisable at £170 per share. These warrants expired on 28 February 2004.

The following share options were outstanding at 31 December 2005:

<i>Scheme</i>	<i>No. of shares (new ordinary shares of 1p each)</i>	<i>Exercise price</i>	<i>Expiry date</i>
Unapproved	15,955	£10.00	18/02/2010
Unapproved	27,376	£2.10	31/01/2012

13. Reconciliation of shareholders' funds/(deficit) and movement on reserves

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss £000</i>	<i>Total £000</i>
At 1 January 2003	5,004	10,241	(15,386)	(141)
Loss for the year	—	—	(92)	(92)
Issue of new shares	300	—	—	300
At 31 December 2003	5,304	10,241	(15,478)	67
Loss for the year	—	—	(345)	(345)
Issue of new shares	171	38	—	209
At 31 December 2004	5,475	10,279	(15,823)	(69)
Loss for the year	—	—	(134)	(134)
At 31 December 2005	5,475	10,279	(15,957)	(203)

14. Cash flows

	Year ended 31 December		
	2003 £'000	2004 £'000	2005 £'000
A Reconciliation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit	(76)	(345)	(134)
Decrease in debtors	48	—	6
(Decrease)/increase in creditors	(48)	31	65
Creditor settled via issue of shares	—	89	—
Net cash inflow/(outflow) from operating activities	(76)	(225)	(63)
B Analysis of change of net funds/(debt) in year			
Cash at bank and in hand	—	119	14
Debt due within one year	—	—	—
Opening net funds	—	119	14
Increase/(decrease) in cash at bank and in hand	119	(105)	(13)
(Increase) in debt due within one year	—	—	(50)
(Increase)/decrease in net funds/(debt)	119	(105)	(63)
Cash at bank and in hand	119	14	1
Debt due within one year	—	—	(50)
Closing net funds/(debt)	119	14	(49)

15. Related party transactions

Included in the profit and loss account for the year ended 31 December 2004 was £25,000 (of which £16,000 had been paid by 31 December 2004) in consultancy fees payable to Berkeley Consultants Limited.

In addition, the company paid £18,000 in 2003 and 2004 in rent to Berkeley Property Management Limited. N D A Greenstone, a director of Azure Holdings plc at that time, is a director of Berkeley (International) Group plc, the parent company of Berkeley Consultants Limited and Berkeley Property Management Limited.

16. Post balance sheet events

At an EGM to be held on 2 October 2006, a resolution is being proposed to reorganise the share capital of the Company by subdividing each ordinary share of 1p each into a reorganisation share of 0.1p and a deferred share of 0.9p and to consolidate every two reorganisation shares of 0.1p each into one ordinary share of 0.2p each.

On 8 September 2006, the Company entered into a Call Option Agreement giving it the right to acquire 39.72 per cent. of Cronos Therapeutics Limited for £2.6 million in cash or by the issue of 195,000,000 ordinary shares of 0.2p each.

On 8 September 2006, the Company entered into agreements to acquire the entire share capital of ValiRx Limited by the issue of 637,500,000 ordinary shares of 0.2p each.

17. Nature of financial information

The financial information in respect of the three years ended 31 December 2005 does not constitute statutory accounts for each of the years. Statutory accounts for the three years ended 31 December 2005 have been prepared by the Directors and delivered to the Registrar of Companies.

In respect of the statutory accounts for the three years to 31 December 2005, Baker Tilly have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

SECTION B: ACCOUNTANTS' REPORT

The following is the full text of a report on Azure Holdings plc from Baker Tilly, the Reporting Accountants to the Company, to the Directors of the Company.



BAKER TILLY

Chartered Accountants

2 Bloomsbury Street

London

WC1B 3ST

www.bakertilly.co.uk

The Directors
Azure Holdings plc
One Cumberland Place
London
WC1B 3ST

8 September 2006

Dear Sirs

Azure Holdings plc ("Azure")

We report on the financial information set out Section A of Part III. This financial information has been prepared for inclusion in the admission document dated 8 September 2006 ("Admission Document") of Azure Holdings plc on the basis of the accounting policies set out in Section A of Part III thereof.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Section A of Part III and in accordance with UK GAAP.

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

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Azure as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information in Section A of Part III and in accordance with the applicable accounting standards in the United Kingdom as described in Section A of Part III.

Emphasis of matter — exclusion of subsidiary undertaking from the consolidation and going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Section A of Part III of the financial information concerning the following matters:

- Exclusion of subsidiary undertaking from the Consolidation. We have considered the disclosures made in note 9 to the financial information in Section A of Part III in respect of the non-inclusion of Room Service (UK) Limited in these consolidated financial statements. The subsidiary has been excluded from the consolidation for the year 31 December 2003 on the grounds that the circumstances described in note 9 mean that, under Section 227(6) of the Companies Act 1985, inclusion of Room Service (UK) Limited would be inconsistent with the requirement to give a true and fair view.
- Going concern. We have considered the adequacies of the disclosures made concerning the basis on which the financial information been prepared on a going concern basis, and in particular the fundamental accounting concept described in the Accounting Policies set out in note 1 to the financial information in Section A of Part III. These disclosures indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Declaration

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

Yours faithfully



Baker Tilly

Regulated for audit work by the Institute of Chartered Accountants of Scotland

PART IV

FINANCIAL INFORMATION ON VALIRX LIMITED

SECTION A: INTRODUCTION

The historical financial information for ValiRx Limited is set out below.

The financial information in respect of the period ended 30 June 2006 does not constitute statutory accounts.

ValiRx Limited was incorporated on 1 June 2006 and as such has not been required to prepare statutory accounts or deliver them to the Registrar of Companies.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of ValiRx Limited for that period. In preparing the financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that ValiRx Limited will continue in business.

Section C of Part IV of this document sets out a report from Adler Shine LLP, the Reporting Accountants to ValiRx, required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

SECTION B: FINANCIAL INFORMATION

BALANCE SHEET

	<i>Notes</i>	<i>As at 30 June 2006 £</i>
Current assets		
Debtors	2	0.01
		<u>0.01</u>
Net assets		<u>0.01</u>
Capital and reserves		
Called up share capital	3	0.01
Equity shareholders' funds		<u>0.01</u>

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NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies, which have been consistently applied in ValiRx Limited's financial information throughout the period under review, are as follows:

During the period under review the company has not traded. Consequently no profit and loss account or cash flow statement is presented.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom Financial Reporting Standards.

The financial information is for the period since incorporation, 1 June 2006, to 30 June 2006.

2. Debtors

	<i>As at 30 June 2006 £</i>
Called up share capital not paid	0.01

3. Share capital

	<i>As at 30 June 2006 No.</i>
Authorised:	
Ordinary shares of £0.01 each	100,000
	£
	1,000
	<i>No.</i>

Authorised:

Ordinary shares of £0.01 each	100,000
	£
	1,000

Allotted and called up

Ordinary shares of £0.01 each	1
	£
	0.01

Movement in share Capital

	<i>Period ended 30 June 2006 £</i>
Shares issued	0.01
	0.01

On 1 June 2006 the company issued one ordinary share at par.

In August 2006, the company issued 2,627 ordinary shares at par.

4. Controlling party

No individual has a controlling interest in the share capital of the company.

5. Post balance sheet event

Subsequent to the year end, ValiRx Limited has entered into an agreement to acquire 60.28 per cent. of Cronos Therapeutics Limited in a share for share exchange.

Subsequent to the year end, ValiRx Limited has entered into an agreement to acquire 7.32 per cent. of Morphogenesis Inc. in a share for share exchange.

In September 2006, the company issued Convertible Unsecured Loan Stock for £500,000, which on conversion would give rise to an issue of 1,333 ordinary shares.

SECTION C: ACCOUNTANTS' REPORT

The following is the full text of a report on ValiRx Limited from Adler Shine LLP, the Reporting Accountants to ValiRx, to the Directors of Azure Holdings plc and WH Ireland Limited.



The Directors
Azure Holdings plc
One Great Cumberland Place
London
W1H 7AL

WH Ireland Limited
11 St James's Square
Manchester
M2 6WH

8 September 2006

Dear Sirs

ValiRx Limited

We report on the financial information set out in Section B of Part IV. This financial information has been prepared for inclusion in the Admission Document dated 8 September 2006 ("Admission Document") of Azure Holdings plc on the basis of the accounting policies set out Section B of Part IV.

This report is required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section A of Part IV, the Directors of the Company are responsible for preparing the financial information on the basis of preparation as set out in Section B of Part IV and in accordance with UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of ValiRx Limited as at the date in accordance with the basis of preparation set out in note 1 in Section B of Part IV and in accordance with the applicable accounting standards in the United Kingdom as described in note 1 in Section B of Part IV.

Declaration

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

Yours faithfully

Adler Shine LLP
Registered Auditor
London

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PART V

FINANCIAL INFORMATION ON CRONOS THERAPEUTICS LIMITED

SECTION A: INTRODUCTION

The historical financial information for Cronos Therapeutics Limited is set out below.

The financial information in respect of the period ended 31 March 2005 and the year ended 31 March 2006 do not constitute statutory accounts. Statutory accounts for the period ended 31 March 2005 and the year ended 31 March 2006 have been delivered to the Registrar of Companies.

The statutory accounts for the period ended 31 March 2005 were not required to be, and were not, audited.

In respect of the statutory accounts for the year ended 31 March 2006, Adler Shine LLP, Registered Auditor and Chartered Accountants, have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statements under section 237(2) or (3) of that Act.

In preparing the statutory accounts for the period ended 31 March 2005 advantage was taken of the provisions of financial reporting standards and company legislation relating to small companies, which are not appropriate to the financial information required to be presented in this Admission Document. Consequently, the directors have also prepared non- statutory accounts for the year ended 31 March 2005 in respect of which Adler Shine LLP have issued an unqualified audit report.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of Cronos Therapeutics Limited for that period. In preparing the financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that Cronos Therapeutics Limited will continue in business.

Section C of Part V of this document sets out a report from Adler Shine LLP, the Reporting Accountants, required by the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

SECTION B: FINANCIAL INFORMATION**PROFIT AND LOSS ACCOUNTS**

	<i>Year ended 31 March 2006</i>	<i>Period ended 31 March 2005</i>
<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	—	750
Cost of sales	—	(805)
Gross (loss)/profit	—	(55)
Administrative expenses	(65,922)	(6,919)
Other operating Income	1,750	3,000
Operating Loss	2 (64,172)	(3,974)
Interest receivable	576	98
Loss on ordinary activities before taxation	(63,596)	(3,876)
Tax on loss on ordinary activities	4 —	—
Retained Loss for the financial year/period	11 <u>(63,596)</u>	<u>(3,876)</u>

Continuing operations

All of the company's activities continuing.

Statement of total recognised gains and losses

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

BALANCE SHEETS

		<i>As at</i> 31 March 2006	<i>As at</i> 31 March 2005
	<i>Notes</i>	£	£
Fixed assets			
Intangible assets	5	59,796	15,494
Tangible assets	6	1,118	—
		<u>60,914</u>	<u>15,494</u>
Current assets			
Debtors	7	75,220	105
Cash at bank and in hand		33,835	4,250
		<u>109,055</u>	<u>4,355</u>
Creditors: amounts falling due within one year	8	<u>(8,772)</u>	<u>(1,707)</u>
Net current assets		<u>100,283</u>	<u>2,648</u>
Net Assets		<u>161,197</u>	<u>18,142</u>
Capital and reserves			
Called up share capital	9	154	133
Share Premium	10	228,515	21,885
Profit and loss account	11	(67,472)	(3,876)
Equity shareholders' funds	12	<u>161,197</u>	<u>18,142</u>

CASH FLOW STATEMENTS

	Year ended 31 March 2006 £	Period ended 2005 £
Reconciliation of operating loss on net cash inflow from operating activities		
Operating loss	(64,172)	(3,974)
Depreciation charge	48	—
Amortisation of intangibles	2,290	1,033
Increase in debtors	(115)	(105)
Increase in creditors	7,065	1,707
Net cash outflow from operating activities	<u>(54,884)</u>	<u>(1,339)</u>
CASH FLOW STATEMENT		
Net cash outflow from operating activities	(54,884)	(1,339)
Returns on investment and servicing of finance	13 576	98
Investments	13 (41,107)	(11,023)
	(95,415)	(12,264)
Financing	13 125,000	16,514
Increase in cash	<u>29,585</u>	<u>4,250</u>
Reconciliation of net cash flow to movement in net funds		
Increase in cash in period	29,585	4,250
Change in net funds	14 29,585	4,250
Net funds brought forward	4,250	—
Net funds carried forward	<u>33,835</u>	<u>4,250</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies, which have been consistently applied in Cronos Therapeutics Limited's financial information throughout the period under review, are as follows:

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The financial information for 2005 relates to the period from incorporation on 26 March 2004 to 31 March 2005. The financial information for 2006 is for the year from 1 April 2005 to 31 March 2006.

Intangible assets

Intangible assets comprise patents and licences which are included at cost and amortised over their estimated useful economic lives.

Amortisation

Amortisation has been provided at the following rates in order to write off the intangible assets over their estimated useful lives:

Patents and licences	16 years
----------------------	----------

In the opinion of the directors the patents and licenses are expected to expire in the year 2020 based on current applicable law, and accordingly the directors have estimated that the average useful lives of the patents and licenses will be sixteen years.

Depreciation

Depreciation has been provided at the following rates in order to write off tangible assets over their estimated useful lives.

Computer equipment	33.33 per cent. Straight line
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Research and development costs

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to technical, commercial and financial viability of individual projects; where the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 — Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised if there is a reasonable probability that an asset will crystallise in the foreseeable future.

Going concern

The company is currently in the process of being acquired in a reverse takeover transaction in which the ultimate acquiring company has its shares traded on the AIM market in London. The directors of the ultimate acquiring company have indicated that following completion of the takeover, the enlarged group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of the transaction. The takeover transaction is subject to approval by the shareholders of the ultimate acquiring company.

Based on the above, the directors consider that it is appropriate to adopt the going concern assumption in preparing the financial information.

2. Operating loss

This is stated after charging:

	<i>Year ended 31 March 2006 £</i>	<i>Period ended 31 March 2005 £</i>
Depreciation of fixed assets	48	—
Amortisation of intangible fixed assets	2,290	1,033
Auditors' remuneration	5,000	—
	<u> </u>	<u> </u>

3. Staff costs

Average number of employees during year/period:

	<i>Year ended 31 March 2006</i>	<i>Period ended 31 March 2005</i>
Administration	1	1
Development	2	2
	<u> </u>	<u> </u>
	<u> 3</u>	<u> 3</u>

The company has no employees, other than the company directors.

4. Taxation

Factors affecting tax charge for the period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	<i>Year ended 31 March 2006 £</i>	<i>Period ended 31 March 2005 £</i>
Loss on ordinary activities before tax	<u>(63,596)</u>	<u>(3,876)</u>
Standard rate of corporation tax in the UK	19%	19%
	<i>£</i>	<i>£</i>
Loss on ordinary activities multiplied by standard rate of corporation tax	<u>(12,083)</u>	<u>(736)</u>
Effects of:		
Expenses not deductible for tax purposes	45	4
Capital allowances in period in excess of depreciation	(79)	—
Movement in tax losses carried forward	<u>12,117</u>	<u>732</u>
Current tax charge for period	<u> —</u>	<u> —</u>

The deferred tax asset arising from tax losses of £67,696 (2005: £3,856) carried forward has not been recognised but would become recoverable against future trading profits.

5. Intangible fixed assets

	<i>Patents and licences £</i>
Cost	
Additions — to 31 March 2005	16,527
At 31 March 2005	16,527
Additions — to 31 March 2006	46,592
As at 31 March 2006	63,119
Depreciation	
Charge — to 31 March 2005	1,033
At 31 March 2005	1,033
Charge — to 31 March 2006	2,290
As at 31 March 2006	3,323
Net book value	
As at 31 March 2006	59,796
As at 31 March 2005	15,494

Patents and licenses are being written off in equal instalments over the period of their economic lives. In the opinion of the directors they are expected to expire in 2020.

6. Tangible fixed assets

	<i>Computer equipment £</i>
Cost	
Additions — to 31 March 2006	1,166
As at 31 March 2006	1,166
Depreciation	
Charge — to 31 March 2006	48
As at 31 March 2006	48
Net book value	
As at 31 March 2006	1,118
As at 31 March 2005	—

7. Debtors

	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2005 £</i>
Unpaid share capital	75,000	—
Other debtors	220	105
	<u>75,220</u>	<u>105</u>

8. Creditors: amounts falling due within one year

	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2005 £</i>
Other creditors	250	—
Accruals and deferred income	8,522	1,707
	<u>8,772</u>	<u>1,707</u>

9. Share capital

	<i>As at 31 March 2006 No.</i>	<i>As at 31 March 2005 No.</i>
Authorised:		
Ordinary shares of £0.01 each	<u>23,332</u>	<u>13,331</u>
	<u>£</u>	<u>£</u>
	<u>233</u>	<u>133</u>
	<i>No.</i>	<i>No.</i>
Allotted, called up and partly paid		
Ordinary shares of £0.01 each	<u>15,382</u>	<u>13,331</u>
	<u>£</u>	<u>£</u>
	<u>154</u>	<u>133</u>

Movement in share capital

	<i>Year ended 31 March 2006 £</i>	<i>Period ended 31 March 2005 £</i>
Brought forward	133	—
Shares issued	21	133
	<u>154</u>	<u>133</u>

On 2 August 2004 the company issued 9,999 ordinary shares of £0.01 each at a premium of £1.64 per share for which the company received consideration of £13,666 in cash and £2,847 by way of settlement of a liability by S Vainikka, on behalf of the company.

On 14 August 2004 the company issued a further 3,332 ordinary shares of £0.01 at a premium of £1.64 per share receiving non-cash consideration of £5,504 in the form of patents transferred to the company.

On 3 November 2005 a further 512 ordinary shares of £0.01 each were issued at a premium of £12.98 each. The company received non-cash consideration of £6,651 in the form of patents and licences transferred to the company.

On 3 November 2005 the company also issued 1,539 ordinary shares of £0.01 at a premium of £129.94 each, receiving consideration of £200,000 of which £75,000 was unpaid as at 31 March 2006.

During the year ended 31 March 2006 the company issued warrants to MCC Europe Limited to acquire 5 per cent. of the issued share capital of the company for £60,000. In addition, the company issued further warrants to MCC Europe Limited to acquire a further 5 per cent. of the issued share capital of the company for £120,000. Both these warrants were cancelled after the year ended 31 March 2006.

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10. Share premium

	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2005 £</i>
Brought forward	21,885	—
Shares issued	206,630	21,885
	<u>228,515</u>	<u>21,885</u>

11. Profit and loss account

	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2005 £</i>
Brought forward	(3,876)	—
Loss for the financial year	(63,596)	(3,876)
	<u>(67,472)</u>	<u>(3,876)</u>

12. Reconciliation of movement in shareholders' funds

	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2005 £</i>
Opening shareholders' funds	18,142	—
Loss for the financial year/period	(63,596)	(3,876)
Shares issued	206,651	22,018
Closing shareholders funds	<u>161,197</u>	<u>18,142</u>

13. Gross cash flows

	<i>Year ended 31 March 2006 £</i>	<i>Period ended 31 March 2005 £</i>
Returns on investment and servicing of finance		
Interest received	576	98
Capital expenditure		
Payments to acquire tangible fixed assets	(39,941)	(11,023)
Payments to acquire intangible fixed assets	(1,166)	—
	<u>(41,107)</u>	<u>(11,023)</u>
Financing		
Issue of share capital	125,000	16,514

Non-cash transactions

Significant non-cash transactions relating to share issues are described in note 9.

14. Analysis of change in net debt

	<i>As at</i> <i>26 March</i> <i>2004</i> £	<i>Cash flows</i> £	<i>At</i> <i>31 March</i> <i>2005</i> £
Cash at bank and in hand	—	4,250	4,250
Total	<u>—</u>	<u>4,250</u>	<u>4,250</u>

	<i>As at</i> <i>1 April</i> <i>2005</i> £	<i>Cash flows</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
Cash at bank and in hand	4,250	29,585	33,835
Total	<u>4,250</u>	<u>29,585</u>	<u>33,835</u>

15. Post balance sheet events

Unpaid share capital outstanding at 31 March 2006 of £75,000 was received in full after the year end.

In August 2006, the company issued 462 ordinary shares of £0.01 each.

16. Related parties

During the year ended 31 March 2006, the company paid consultancy fees to Cronos Ventures Ltd amounting to £28,000 (2005: £468). J Micallef and S Vainikka, directors of the company are directors and shareholders of Cronos Ventures Ltd.

During the year ended 31 March 2006, the company carried out business with Imperial College Innovations Ltd on normal commercial terms amounting to £46,773 (2005: £11,022). Imperial College Innovations Ltd is a shareholder in the company.

17. Controlling party

No individual has a controlling interest in the share capital of the company.

SECTION C: ACCOUNTANTS' REPORT

The following is the full text of a report on Cronos Therapeutics Limited from Adler Shine LLP, the Reporting Accountants to Cronos, to the Directors of Azure Holdings plc and WH Ireland Limited.



The Directors
Azure Holdings plc
One Great Cumberland Place
London
W1H 7AL

WH Ireland Limited
11 St James's Square
Manchester
M2 6WH

8 September 2006

Dear Sirs

Cronos Therapeutics Limited

We report on the financial information set out in Section B of Part V. This financial information has been prepared for inclusion in the Admission Document dated 8 September 2006 ("Admission Document") of Azure Holdings plc on the basis of the accounting policies set out Section B of Part V.

This report is required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section A of Part V, the Directors of the Company are responsible for preparing the financial information on the basis of preparation as set out Section B of Part V and in accordance with UK GAAP.

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

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations 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.

Going concern

In forming our opinion, we have considered the adequacies of the disclosures made, in the Accounting Policies set out in note 1 to the financial information in section B of Part V, concerning the basis on which the financial information has been prepared on a going concern basis. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Cronos Therapeutics Limited as at the dates stated and of its losses and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 in Section B of Part V and in accordance with applicable accounting standards in the United Kingdom as described in note 1 in Section B of Part V.

Declaration

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

Yours faithfully

Adler Shine LLP
Registered Auditor
London

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PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

SECTION A: FINANCIAL INFORMATION

The unaudited pro forma statement of net assets of the Company and its proposed subsidiaries ("the Enlarged Group") following the acquisition of ValiRx Limited as set out below has been prepared to illustrate the impact of the acquisition of ValiRx Limited by the Company, which will have occurred since 31 December 2005, as if it had occurred at 31 December 2005.

The unaudited pro forma statement of net assets of the Enlarged Group is based on:

1. the balance sheet of the Company as at 31 December 2005 extracted from the Financial Information set out in Part III of this document;
2. the balance sheet of ValiRx Limited as at 30 June 2006 extracted from the Financial Information set out in Part IV of this document;
3. the balance sheet of Cronos Therapeutics Limited as at 31 March 2006 extracted from the Financial Information set out in Part V of this document; and
4. the adjustments set out below.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes and, because of its nature, does not represent a true picture of the financial position of the Enlarged Group.

	Company at 31 December 2005 £'000	ValiRx Ltd at 30 June 2006 £'000	Cronos Therapeutics Limited at 31 March 2006 £'000	Note 1 £'000	Note 2 £'000	Adjustments			Enlarged Group £'000
						Note 3 £'000	Note 4 £'000	Note 5 £'000	
Fixed assets									
Intangible assets	—	—	59.8	—	—	—	—	—	59.8
Goodwill	—	—	—	—	—	—	4,875.6	—	4,875.6
Tangible assets	—	—	1.1	—	—	—	—	—	1.1
Investments	—	—	—	—	1,098.0	—	—	—	1,098.0
	—	—	60.9	—	1,098.0	—	4,875.6	—	6,034.5
Current assets									
Debtors	1.0	—	75.2	—	—	(75.0)	—	—	1.2
Cash	1.0	—	33.8	1,614.5	500.0	120.0	—	(418.7)	1,850.6
	2.0	—	109.0	1,614.5	500.0	45.0	—	(418.7)	1,851.8
Creditors: amounts falling due within one year	(205.0)	—	(8.7)	(16.7)	—	—	—	—	(230.4)
Net current assets/ (liabilities)	(203.0)	—	100.3	1,597.8	500.0	45.0	—	(418.7)	1,621.4
Total assets less current liabilities	(203.0)	—	161.2	1,597.8	1,598.0	45.0	4,875.6	(418.7)	7,655.9
Net assets/(liabilities)	(203.0)	—	161.2	1,597.8	1,598.0	45.0	4,875.6	(418.7)	7,655.9
Equity minority interests	—	—	—	—	—	—	(81.9)	—	(81.9)
Shareholders' funds	(203.0)	—	161.2	1,597.8	1,598.0	45.0	4,793.7	(418.7)	7,574.0

Notes:

1. The adjustments to the Company's net assets comprise the following events that have occurred since 31 December 2005 or which are anticipated to occur by or on Admission:

	<i>£'000</i>	<i>£'000</i>
Issue of loan notes in February 2006	414.5	
Conversion of loan notes into ordinary shares	<u>(397.8)</u>	397.8
	16.7	
Issue of further loan notes and conversion of the further loan notes into ordinary shares		<u>1,200.0</u>
		<u>1,597.8</u>

It has been assumed that all the further loan notes are converted into ordinary shares.

2. The adjustments to ValiRx Limited's net assets comprise the following events that have occurred since 30 June 2006 or which are anticipated to occur by or on Admission:

	<i>£'000</i>
Issue of loan note and conversion of loan note into ordinary shares	500.0
Investment in Morphogenesis Inc.	<u>1,098.0</u>
	<u>1,598.0</u>

It has been assumed that all loan notes are converted into ordinary shares.

The cost of the investments in Morphogenesis Inc. is based on an estimated value of the investment.

3. The adjustments to Cronos Therapeutics Limited's net assets comprise the following events that have occurred since 31 March 2006:

	<i>£'000</i>
Receipt of unpaid share capital	75.0
Proceeds from issue of ordinary shares	<u>45.0</u>
	<u>120.0</u>

4. Goodwill arising on the acquisition of 60.28 per cent. of Cronos Therapeutics Limited by ValiRx Limited:

	<i>£'000</i>	<i>£'000</i>
Consideration — issue of 5,716 ordinary 1p shares		4,822.4
Costs of acquisition		<u>177.5</u>
		4,999.9
Net assets at acquisition:		
Net assets as 31 March 2006	161.2	
Proceeds of share issue subsequent to 31 March 2006	<u>45.0</u>	
	206.2	
Share of net assets acquired	60.28%	<u>(124.3)</u>
Goodwill arising		<u>4,875.6</u>

The costs of acquisition reflect an estimate of that element of the total transaction costs that are attributable to the acquisition.

No account has been taken of any fair value adjustments that may arise on accounting for the acquisition of Cronos Therapeutics Limited by ValiRx Limited.

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5. Costs of transactions:

	<i>£'000</i>
Estimated total costs	596.2
Attributed to cost of investment (see note 4)	<u>(177.5)</u>
	<u>418.7</u>

6. No account has been taken of any fair value adjustments that may arise on accounting for the acquisition of ValiRx Limited by the Company.
7. The adjustments to reflect the acquisition of Cronos Therapeutics Limited by ValiRx Limited and the acquisition of ValiRx Limited by the Company have been made in accordance with the acquisition basis of accounting.
8. Except as specified in these notes, no account has been taken of the transaction of the Company since 31 December 2005, of ValiRx Limited since 30 June 2006, or of Cronos Therapeutics Limited since 31 March 2006.
9. The financial information set out above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

SECTION B: ACCOUNTANTS' REPORT

The Directors
Azure Holdings Plc
One Great Cumberland Place
London
W1H 7AL

And

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

8 September 2006

Dear Sirs

Azure Holdings Plc ("the Company")

Pro forma Statement of Net Assets

We report on the Pro forma Statement of Net Assets (the "Pro forma Financial Information") of the Company and its proposed subsidiaries (the "Enlarged Group") set out in Part VI of the admission document of the Company dated 8 September 2006 (the "Admission Document"), which has been prepared for illustrative purposes only, to provide information about how the acquisition of ValiRx Limited, together with associated transactions, might have affected the financial information of the Company as at 31 December 2005.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma Financial Information. It is our responsibility to form an opinion as to the proper compilation of the Pro forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma Financial Information has been properly compiled on the basis stated.

Opinion

In our opinion the Pro forma Financial Information has been properly compiled on the basis stated.

Declaration

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

Yours faithfully

Adler Shine LLP

PART VII

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors and Proposed Directors whose names appear on page 8, and the Company, accept responsibility for the information contained in this document other than the information contained in paragraph 15 of Part I of this document on the Concert Party. To the best of the knowledge of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Each of the members of the Concert Party accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Enlarged Group

- 2.1 The Company was incorporated in England and Wales with the name Cube8.com Limited and with registration number 3916791 on 26 January 2000 under the Act as a private limited company with limited liability. The Company re-registered as a public company on 18 February 2000. On 14 June 2001 the Company changed its name to The Cube8 Group plc. On 8 January 2002 the Company changed its name to Room Service Group plc and on 27 November 2003 the Company changed its name to Azure Holdings plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.3 The Company's registered office, head office and principal place of business is at One Great Cumberland Place, London W1H 7AL. The telephone number at the registered office is 020 7723 8833. The ISIN number of the Existing Ordinary Shares is GB0033692368.
- 2.4 On Admission, the registered office, head office and principal place of business will be changed to 14 Hay's Mews, London W1 5PT, the telephone number of which will be 0207 408 5400.
- 2.5 Save for 240103 Limited, previously known as Room Service (UK) Limited, which is in liquidation the Company has no subsidiaries. Immediately following Admission, the Company, through ValiRx, will hold 60.28 per cent. of the issued share capital of Cronos and 7.32 per cent. of the issued share capital of Morphogenesis. Following Admission, ValiRx will be a wholly owned subsidiary of the Company.
- 2.6 Through the Call Option Agreement, further details of which are set out in paragraph 11.13 of Part VII of this document, the Company has an option to acquire the remaining balance of 39.72 per cent. of Cronos.
- 2.7 The Company has no administrative, management or supervisory bodies other than the Board, the remuneration committee and the audit committee which will be in place upon Admission, which have no members other than certain directors. Details of the composition and constitution of the remuneration committee and audit committee are summarised in Part I of this document.

3. Share Capital of the Company

- 3.1 The share capital history of the Company is as follows:
 - 3.1.1 The Company's authorised share capital on incorporation was 3,000 ordinary shares of £1 each of which one was issued fully paid at par.
 - 3.1.2 On 18 February 2000, the subscriber share was divided into 100 ordinary shares of 1p each and the remaining 2,999 authorised but unissued shares were cancelled. The share capital was then increased from £1 to £2,700,000 by the creation of 269,999,900 ordinary shares of 1p each.
 - 3.1.3 On 18 February 2000, the Company acquired the entire issued share capital of Portal Management Limited in consideration for the issue of 268,929,960 ordinary shares of 1p each.
 - 3.1.4 On 18 February 2000, the authorised share capital was increased from £2,700,000 to £8,000,000 by the creation of 530,000,000 ordinary shares of 1p each.

- 3.1.5 On 28 February 2000, the Company issued 58,823,529 ordinary shares of 1p each for cash at 17p per share by way of a placing.
- 3.1.6 On 22 November 2000, the Company issued 2,000,000 ordinary shares of 1p each at 3.75p per share to Room Service (UK) Limited ("Room Service") as consideration for the allotment to the Company of 1,384 ordinary shares of 10p each in the capital of Room Service (UK) Limited.
- 3.1.7 On 28 December 2000, the Company issued 5,882,353 ordinary shares of 1p each at 2.5p per share as consideration for the acquisition of 50 per cent. of the issued share capital of Prizescratch.com Limited.
- 3.1.8 On 28 December 2000, the Company issued 5,882,353 ordinary shares of 1p each at 2.5p per share as consideration for the acquisition of 25 per cent. of the issued share capital of Web Street Limited.
- 3.1.9 On 28 December 2000, the Company issued 11,470,588 ordinary shares of 1p each at 2.5p per share as consideration for the acquisition of 15 per cent. of the issued share capital of Taotalk Limited.
- 3.1.10 On 26 April 2001, the Company issued 5,000,000 ordinary shares of 1p each at 1p per share as consideration for the allotment to the Company of 50,000 redeemable preference shares in the capital of Articulate Communication Limited.
- 3.1.11 On 10 May 2001, the Company issued 60,000,000 ordinary shares of 1p each at 1p per share as consideration for the acquisition by the Company of the entire issued share capital of Freeloader.com Limited.
- 3.1.12 On 4 January 2002, the following took place:
- (a) a capital reconstruction was agreed whereby each ordinary share of 1p in the capital of the Company, was subdivided into one reconstructed share of 0.1p (the "Reconstructed Shares") and one 0.9p Deferred Shares. Every ten Reconstructed Shares were consolidated into one ordinary share with a nominal value of 1p.
 - (b) the Company acquired the remaining issued share capital of Room Service for a consideration of £1,465,950 satisfied by the issuance of 69,807,145 ordinary shares of 1p each. Following this acquisition the Company owned the entire issued share capital of Room Service.
 - (c) the Company issued 12,619,046 ordinary shares of 1p each for cash at 2.1p per share by way of a placing.
- 3.1.13 On 20 October 2003, a further capital reconstruction was agreed whereby the 124,225,070 issued ordinary shares of 1p each in the capital of the Company, were consolidated into 1,242,250 ordinary shares of £1 each. The newly consolidated ordinary shares of £1 each were then subdivided into 1,242,250 ordinary shares of 1p each and 1,242,250 99p Deferred Shares.
- 3.1.14 On 20 October 2003, the Company issued 10,500,000 ordinary shares of 1p each as consideration for the conversion of £105,000 of debts owed to Chiddingfold Investments Limited.
- 3.1.15 On 20 October 2003, the Company issued 19,500,000 ordinary shares for cash at 1p per share by way of a placing.
- 3.1.16 A warrant to subscribe for 3,277,535 ordinary shares of 1p each at 17p per share was granted to Seymour Pierce Limited on 28 February 2000, exercisable in whole or in part at any time up to 28 February 2004. A warrant to subscribe for 1,638,767 ordinary shares of 1p each at 17p per share was granted to Bird & Bird on 28 February 2000, exercisable in whole or in part at any time up to 28 February 2004. Following the capital reconstructions of 4 January 2002 and 20 October 2003, the number and exercise price were adjusted in accordance with the warrant terms. As a result Seymour Pierce Limited had warrants to subscribe for 3,277 ordinary shares of 1p each at £170 per share and Bird & Bird had warrants to subscribe for 1,638 ordinary shares of 1p each at £170 per share. These warrants have now all lapsed.
- 3.1.17 The Company has granted options under the Unapproved Scheme to subscribe for 54,555,000 ordinary shares at 1p per share, in accordance with the rules of the Unapproved Scheme. Following the capital reconstructions of 4 January 2002 and 20 October 2003 these have been adjusted to options over 54,555 ordinary shares of 1p each exercisable at £10 per share. Options to subscribe for 38,600 of these shares have since expired.

- 3.1.18 Options to subscribe for 2,737,675 ordinary shares of 1p each were granted on 31 January 2002 under the Unapproved Scheme. Following the capital reconstruction of 20 October 2003 these were adjusted to options over 27,376 ordinary shares of 1p each exercisable at £2.10 per share.
- 3.1.19 Options to subscribe for 9,579,777 ordinary shares of 1p each were granted on 31 January 2002 under the Company's EMI Scheme. Following the capital reconstruction of 20 October 2003 these were adjusted to options over 95,797 ordinary shares of 1p each exercisable at £2.10 per share.
- 3.1.20 On 3 March 2004, the Company passed a special resolution confirming that the issued share capital of the Company was £5,428,573 divided into 31,242,250 ordinary shares of 1p each, 417,988,783 0.9p Deferred Shares each and 1,242,250 99p Deferred Shares.
- 3.1.21 On 4 March 2004, the Company issued 3,476,000 ordinary shares of 1p each at 1p per share.
- 3.1.22 On 4 March 2004, the Company issued 1,989,319 ordinary shares of 1p each at 1p per share.
- 3.1.23 On 9 March 2004, the Company issued 1,250,000 ordinary shares of 1p each at 4p per share.
- 3.1.24 On 14 July 2004, the Company issued 360,000 ordinary shares of 1p each at 1p per share.
- 3.1.25 On 22 September 2004, the Company issued 10,000,000 ordinary shares of 1p each at 1p per share.
- 3.1.26 On 19 January 2006, the Company issued 78,057,207 ordinary shares of 1p each at 1p per share.
- 3.1.27 On 26 January 2006, the Company issued 1 ordinary penny share at 1p.
- 3.1.28 On 28 February 2006, the Company issued 1,508,000 ordinary shares of 1p each at 1p per share.
- 3.1.29 On 10 March 2006, the authorised ordinary share capital of the Company was increased from £3,008,273.45 to £6,000,000 by the creation of 299,172,655 ordinary shares of 1p each.

- 3.2 The authorised and issued share capital of the Company as at the date of this document and at Admission are set as follows:

At the date of this document:

	<i>Authorised</i>		<i>Issued fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
ordinary shares of 1p each	600,000,000	6,000,000	127,882,777	1,278,827.77
0.9p Deferred Shares	417,988,790	3,761,899.11	417,988,790	3,761,899.11
99p Deferred Shares	1,242,250	1,229,827.50	1,242,250	1,229,827.50

At Admission:

	<i>Authorised</i>		<i>Issued fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares	2,500,000,000	5,000,000.00	885,191,389	1,770,382.78
0.9p Deferred Shares	1,017,988,790	9,161,899.11	545,871,567	4,912,844.10
99p Deferred Shares	1,242,250	1,229,827.50	1,242,250	1,229,827.50

- 3.3 Save for the allotments referred to in this paragraph 3, since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash.
- 3.4 Save as disclosed in this Part VII, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.
- 3.5 As at 7 September 2006, the latest practicable date prior to the publication of this document, options over a maximum of 15,955 ordinary shares of 1p each are exercisable at £10 per ordinary share of 1p each and a maximum of 27,376 ordinary shares of 1p each are exercisable at £2.10 per Ordinary Share, pursuant to the Unapproved Scheme, all expiring in 2010.
- 3.6 Pursuant to the Convertible Loan Stock Instrument 2005, £420,540 nominal of unsecured convertible loan stock was issued. As at 7 September 2006, the latest practicable date prior to the publication of this document, £22,713.96 is still outstanding. Further details of the Loan Stock Instrument 2005 are set out in paragraph 11.4 of this Part VII.

- 3.7 Pursuant to the Convertible Loan Stock Instrument 2008, £1,200,000 of unsecured convertible loan stock ("Loan Stock") was created on 18 July 2006. On 22 August 2006, £58,000 of Loan Stock was issued to Shareholders. On the passing of the Resolutions at the EGM, these unsecured convertible loan notes will convert into Ordinary Shares. Further details of the Convertible Loan Stock Instrument 2008 are set out in paragraph 11.5 of this Part VII. It is also intended that a further £1,142,000 of Loan Stock will be issued pursuant to undertakings to subscribe, details of which are set out in paragraphs 11.6 to 11.8.
- 3.8 At the EGM, resolutions of the Company are being proposed to:
- 3.8.1 confirm the issued and authorised 0.9p Deferred Share capital and to ratify the allotment of the 0.9p Deferred Shares;
 - 3.8.2 approve the Capital Reorganisation;
 - 3.8.3 adopt new articles of association of the Company;
 - 3.8.4 approve the Acquisition;
 - 3.8.5 approve the waiver by the Panel of a requirement for the Vendors to make a general offer under Rule 9 of the City Code;
 - 3.8.6 change the name of the Company to ValiRx plc;
 - 3.8.7 increase the authorised ordinary share capital of the Company from £600,000 to £5,000,000 by the creation of 2,200,000,000 Ordinary Shares;
 - 3.8.8 give the Directors authority pursuant to section 80 (1) of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to the amount of the unissued share capital as at the date of the resolution. The authority will expire (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company will be able, at any time prior to the expiry of the authority, to make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors will be able to allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired;
 - 3.8.9 give the Directors power pursuant to section 95(1) of the Act (with such power expiring at the same time as the authority referred to in paragraph 3.8.8 above (the "Proposed Section 80 Authority")) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the Proposed Section 80 Authority as if section 89(1) of the Act did not apply to any such allotment.
- 3.9 The Directors intend to exercise the authorities described in paragraphs 3.8.8 and 3.8.9 to issue the Consideration Shares, Deferred Consideration Shares, the ValiRx Option Shares, the Adviser Shares and the Convertible Loan Stock Shares (representing 94.80 per cent. of the then enlarged share capital).
- 3.10 The Consideration Shares will rank *pari passu* in all respects with the New Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid.
- 3.11 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.8.9 above.
- 3.12 The Ordinary Shares will be in registered form.
- 3.13 Save as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company. No shares in the capital of the Company are held by or on behalf of the Company itself or by any subsidiaries of the Company.

4. Memorandum and Articles of Association

The principal objects of the Company, which are set out in clause 3 of its Memorandum of Association, are to act as a general commercial company in all aspects. The liability of the members of the Company is limited.

The articles of association of the Company, proposed to be adopted at the EGM (highlighting principal differences from the Current Articles where appropriate), contain, *inter alia*, provisions to the following effect:

4.1 *Voting rights*

Subject to any rights, restrictions or special terms attaching to shares, every holder of ordinary shares in the capital of the Company who (being an individual) is present in person or (being a corporation) is present by a representative shall, on a show of hands, have one vote and every holder of ordinary shares in the capital of the Company present in person or by proxy shall, on a poll, have one vote for every ordinary share in the capital of the Company held by him.

4.2 *General Meetings*

- (i) A general meeting shall be held in every year as the annual general meeting of the Company, at such time (not being more than fifteen months after the holding of the last preceding annual general meeting) and place as may be determined by the directors of the Company. All meetings other than annual general meetings shall be called extraordinary general meetings.
- (ii) The directors of the Company may call an extraordinary general meeting whenever they think fit and shall in any event do so when and in the manner required by the Act. Extraordinary general meetings shall also be convened on such requisition, or in default may be convened by such requisitions, as provided by the relevant statutes. If at any time there are not within the United Kingdom sufficient directors of the Company capable of acting to form a quorum for a meeting of the directors of the Company, any director of the Company or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the directors of the Company.
- (iii) An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by not less than twenty one days' notice in writing and all other extraordinary general meetings shall be called by not less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and hour of meeting and, in case of special business, the general nature of such business. The notice shall be given to the members (other than those who, under the provisions of the articles of association of the Company or the terms of issue of the shares they hold, are not entitled to receive notice from the Company), to the directors of the Company and to the auditors of the Company. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution or an extraordinary resolution as the case may be shall specify the intention to propose the resolution as such.
- (iv) Any general meeting can be called on short notice by members as prescribed under law, namely holding not less than 95 per cent. in nominal value of the shares. The Current Articles require the consent of all members for an annual general meeting to be called on short notice. Under the articles proposed to be adopted at the EGM, the holders of Deferred Shares have no right to vote at a general meeting. Currently, the holders of Deferred Shares have no rights to vote at a general meeting.

4.3 *Variation of rights and alteration of capital*

- (i) Subject to relevant law, if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated in such manner as may be provided by such rights, or in the absence of any such provision, either with the consent in writing of the holders of at least 75 per cent. 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. To every such meeting, the following provisions shall apply: the meeting shall be convened and conducted in all respects as nearly as possible in the same way as an extraordinary general meeting of the Company, provided that (i) no member, not being a director of the Company, shall be entitled to notice thereof or to attend thereat unless he is a holder of shares of the class the rights or privileges attached to which are intended to be varied or abrogated by the resolution, (ii) no vote shall be given except in respect of a share of that class, (iii) the quorum at any such meeting shall be two persons present or by proxy and, at an adjourned meeting, one person holding shares of the class in question present in person or his proxy and (iv) a poll may be demanded by any member present in person or by proxy and entitled to vote at the meeting (other than a holder of only treasury shares of that class) and, on a poll, each member has one vote for every share of that class of which he is the holder. The Current Articles do not contain specific provisions relating to Class Meetings.

- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount and sub-divide all or any of its shares into shares of a smaller amount.
- (iii) The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (iv) The Company may, by ordinary resolution, cancel any shares not taken or agreed to be taken by any person.
- (v) Subject to and in accordance with the provisions of the Act and subject as provided in the Articles, the Company may purchase its own shares (including redeemable shares).

4.4 *Transfer of shares*

All transfers of uncertificated shares shall be made in accordance with the Regulations and subject to any arrangements made by the directors of the Company. The Current Articles make no provision for the transfer of uncertificated shares. The instrument of transfer of any share in the Company shall be in the usual or common form or such other form acceptable to the directors of the Company. Subject to any rules or regulations of London Stock Exchange, the directors of the Company may in their absolute discretion, refuse to register any transfer of shares or renunciation of a renounceable letter of allotment unless all of the following conditions are met: it is in respect of a fully paid share; it is in respect of a share on which the Company does not have a lien; it is in respect of only one class of share; it is in favour of a single transferee or renounee or not more than four joint holders as transferees or renounees; it is duly stamped or duly certified or otherwise shown to the satisfaction of the directors of the Company to be exempt from stamp duty; the conditions in the articles proposed to be adopted at the EGM regarding registration of transfers have been satisfied in respect thereof. Under the Current Articles, the directors of the Company may refuse to register any transfer of shares which are not fully paid or if the instrument of transfer is in favour of more than four transferees. Under the Current Articles, the directors of the Company may also decline to register an instrument of transfer unless it is lodged at the place where the register of members is situated for the time being or at such other place as the directors of the Company may appoint, accompanied by the certificate for the shares to which it relates and such evidence as the directors of the Company may reasonably require to show the title of the transferor to make the transfer and is in respect of only one class of shares.

4.5 *Directors*

- (i) No director of the Company is disqualified by his office from contracting with the Company, nor is any director of the Company so contracting liable to account to the Company for any profit realised thereby but the nature of his interest must be declared by him in accordance with the Act.
- (ii) No director of the Company shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or acting in a professional capacity for the Company or as seller, purchaser or otherwise. Subject to the relevant statutes, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director of the Company or person connected with him is interested, shall be avoided, nor shall any director of the Company who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit thereby realised by reason of such director holding that office or of the fiduciary relationship thereby established but the nature and extent of his interest shall be disclosed by him in accordance with the relevant statutes.
- (iii) A director of the Company shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (A) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him, or any other person, at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (B) the giving of any security, guarantee or indemnity to a third party 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;
 - (C) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer

- he is or may be entitled to participate as a holder of securities or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (D) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or member or otherwise howsoever provided that he (together with any person connected with him) is not the holder of or interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
 - (E) any proposal concerning the adoption, modification or operation of a pension, superannuation or similar fund or scheme, a retirement, death or disability benefits fund or scheme or an employees' share scheme which has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes or does not accord to any director of the Company as such any privilege or benefit not awarded to the employees to which such fund or scheme relates;
 - (F) any proposal concerning the grant, purchase and/or maintenance of any insurance for the benefit of directors of the Company or for the benefit of persons including directors of the Company.
- (iv) The salary or remuneration of any executive chairman, chief executive, joint chief executive, managing director, joint managing director or executive director to the Company shall, subject as provided in any contract be such as the directors of the Company may from time to time determine. Under the Current Articles, the directors of the Company are entitled to such remuneration as may from time to time be determined by an ordinary resolution of the Company. The directors of the Company shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them respectively in or about the performance of their duties as directors of the Company including any expenses incurred in attending meetings of the board of directors of the Company or of committees of the board of directors of the Company or general meetings.
 - (v) The directors of the Company may give or award pensions, annuities, gratuities and superannuation or other allowances for the benefit of or for any person who are or have been directors of the Company or who are or have been employed by the Company or any of its subsidiaries and the families and dependants of any such persons.
 - (vi) A director of the Company shall not be required to retire by reason of his having attained the age of 70.
 - (vii) At each annual general meeting one third of the eligible directors subject to rotation shall retire. If such number is not three, or a multiple of three, then the number nearest to but not exceeding one third, or if their number is less than three, one of them, shall retire from office. Under the Current Articles, at each annual general meeting, all directors shall retire from office, and if the Company at the meeting at which a director retires by rotation does not fill the vacancy, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the director is put to the meeting and lost.
 - (viii) A director of the Company shall not be required to hold any shares of the Company by way of qualification.

4.6 *Borrowing powers*

The directors of the Company may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking, if any, or any subsidiary undertaking of the Company or of any third party. The directors of the Company shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings) so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate amount owing at any one time by the Company and all of its subsidiary undertakings from time to time in respect of moneys borrowed shall not exceed a sum equal to the greater of (i) £25,000,000 and (ii) a sum equal to three times the aggregate of the Company's capital and adjusted reserves.

4.7 Dividends

The Company may from time to time by ordinary resolution in general meeting declare dividends but no dividend shall exceed the amount recommended by the directors of the Company. Subject to the provisions of the Act, the directors of the Company may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the directors of the Company to be justified by the profits of the Company available for distribution. Subject to the rights of persons, if any, holding shares with special dividend rights, dividends shall be declared and paid according to the amount paid up in shares. All dividends unclaimed for a period of one year after having been declared may be invested or otherwise made use of by the directors of the Company for the benefit of the Company until claimed and all dividends unclaimed after a period of 12 years from having been declared shall be forfeited and shall revert to the Company.

4.8 Deferred Shares

4.8.1 The articles proposed to be adopted at the EGM grant the classes of Deferred Shares the same rights and set out the rights of the Deferred Shares as follows:

- (a) the Deferred Shares shall not entitle their holders to receive any dividend or other distribution;
- (b) the Deferred Shares shall on a return of assets in a winding up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of £10,000,000 per ordinary share in the capital of the Company;
- (c) the holders of the Deferred Shares shall not have the right to receive notice of any of any general meeting of the Company nor the right to attend, speak and vote at any such general meeting;
- (d) neither the passing by the Company of any special resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the High Court nor the obtaining by the Company nor the making by the High Court of an order confirming any such reduction of capital nor the making effective of such an order shall constitute a modification or abrogation of the rights or privileges attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without any such sanction on the part of the holders of the Deferred Shares as is required by the Articles. Unless specifically required by the Act, the Company shall not be required to issue and certificates in respect of the Deferred Shares; and
- (e) as regards further issues, the special rights conferred by the Deferred Shares shall not be deemed to be modified or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.

4.8.2 Prior to the adoption of the articles proposed to be adopted at the EGM, the rights and restrictions attaching to the 0.9p Deferred Shares are as follows:

- (i) the holders of the 0.9p Deferred Shares have no right to receive notice of or to attend or vote at any general meeting of the Company;
- (ii) save as provided in (iii) below and notwithstanding any other provision in the Current Articles, the holders of 0.9p Deferred Shares have no right to transfer any such shares without the prior consent in writing of the directors;
- (iii) the creation or issue of 0.9p Deferred Shares is deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holder of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person or persons (including the Company) as the Company may determine and to cancel the same in accordance with the Act without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or cancellation to retain the certificates (if any) in respect thereof; and
- (iv) pending the cancellation of the 0.9p Deferred Shares and, save to the extent to which the Company is the holder of any 0.9p Deferred Shares, the holder or holders of such shares shall hold the benefit of any and every distribution made in respect of such shares on trust for the holders for the time being of all of the issued ordinary shares of 1p each in the capital of the Company at the time when such distribution or return is made by the Company.

- 4.8.3 Prior to the adoption of the articles proposed to be adopted at the EGM, the 99p Deferred Shares carry no right to vote at general meetings of the Company or to be paid a dividend but carry the right to share in the proceeds of a winding up of the Company *pari passu* and *pro rata* with all other shareholders.
- 4.9 *Distribution of assets*
The liquidator on any winding-up of the Company (whether voluntary or under supervision or compulsory) may, with the authority of an extraordinary resolution and after deduction of any provision made under section 187 of the Insolvency Act 1986 and section 719 of the Act, divide among the holders of Ordinary Shares in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind, or shall consist of properties of different kinds, and for such purpose may set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the holders of Ordinary Shares. If any such division shall be otherwise than in accordance with the existing rights of the members every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with section 110 of the Insolvency Act 1986.
- 4.10 *Change of Control*
The articles proposed to be adopted at the EGM do not contain additional provisions which have the effect of delaying, deferring or preventing a change of control of the Company.
- 4.11 *Shareholder Ownership*
The articles proposed to be adopted at the EGM do not contain a provision which sets out an additional ownership threshold above which a shareholder ownership should be disclosed.
- 4.12 *Redeemable Shares*
The Company may, by special resolution create shares which are, or at the option of the Company or the holder are liable to be redeemed subject to the provisions of relevant statute. Under the Current Articles, any shares may be issued which are to be redeemed at the option of the Company or the shareholder on such terms and in such manner as provided by the Current Articles.
- 4.13 *Paid up Shares convertible in stock*
The Company may from time to time by ordinary resolution convert all or any fully paid-up shares into stock of the same class as the shares which shall be so converted and may from time to time in like manner reconvert such stock into fully paid-up shares of the same class and of any denomination. The Current Articles do not specifically address this point.
- 4.14 *Other*
The articles proposed to be adopted at the EGM deal with a number of matters not addressed by the Current Articles, including electronic communications, treasury shares and the Regulations.
- 5. The City Code**
- 5.1 *Mandatory bid*
The City Code applies to the Company. Under the City Code, if an acquisition of ordinary shares in the capital of the Company were to increase the aggregate holding of the acquiror and its concert parties to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for ordinary shares in the capital of the Company by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) an interest in shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.
- 5.2 *Squeeze-out*
Under the Act, if an offeror were to acquire 90 per cent. of the ordinary shares in the capital of the Company within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for

outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

5.3 *Sell-out*

The Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the ordinary shares in the capital of the Company and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the ordinary shares in the capital of the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. **Directors' and Proposed Directors' Interests**

6.1 The following persons are Directors or Proposed Directors of the Company:

Mr Barry Gold
Mr Gerald Desler
Mr Anthony Moore
Dr Satu Vainikka
Dr George Morris
Dr Jacob Micallef
Mr Kevin Alexander

6.2 The business address of the Directors is One Great Cumberland Place, London W1H 7AL. The business address of the Proposed Directors is 14 Hay's Mews, London W1 5PT.

6.3 The interests of the Directors and Proposed Directors (all of which are beneficial) in the issued share capital of the Company as at 7 September 2006 (being the latest practicable business day prior to the date of this document), such interests being those which are required to be notified by each Director or Proposed Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director or Proposed Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director or Proposed Director are:

<i>Director</i>	<i>As at</i>		<i>Following Admission</i>	
	<i>7 September 2006</i>			
	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Issued Share Capital</i>	<i>Number of Shares</i>	<i>% of Enlarged Issued Share Capital</i>
Barry Gold	0	0	0	0
Gerald Desler	0	0	0	0
Dr Satu Vainikka ⁽¹⁾	0	0	55,912,500	6.32
Dr Jacob Micallef ⁽¹⁾	0	0	50,287,500	5.68
Dr George Morris ⁽¹⁾	0	0	37,125,000	4.19
Kevin Alexander ⁽¹⁾	0	0	16,312,500	1.84
Anthony Moore ⁽²⁾	0	0	11,250,000	1.27

(1) Following the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrant Shares as set out in paragraph 14 of Part I of this document, Dr Satu Vainikka, Dr Jacob Micallef, Dr George Morris and Kevin Alexander will be interested in 10.47, 9.90, 5.12 and 1.66 per cent., respectively, of the then enlarged ordinary share capital of the Company.

(2) Following the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrant Shares as set out in paragraph 14 of Part I of this document, MCC, MCC Europe, Anthony Moore, Sharon Clayton and Kenneth Denos will be interested in 6.05, 6.62, 1.15, 0.86 and 0.86 per cent., respectively, of the then enlarged ordinary share capital of the Company. Anthony Moore, Sharon Clayton and Kenneth Denos are directors of MCC and MCC Europe.

- 6.4 MCC and/or MCC Europe has agreed to pledge such number of Ordinary Shares as shall at the date of Admission have a value of \$1,500,000. The pledge will be in favour of certain funds managed by Elliott Advisers (UK) Limited as security for certain convertible notes issued by MCC during 2005.
- 6.5 None of the Directors has been granted options over Relevant Securities in the Company.
- 6.6 Save as set out in paragraph 14 of Part I of this document none of the Proposed Directors has been granted options over Relevant Securities in the Company.
- 6.7 In respect of each Director and Proposed Director, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.
- 6.8 There are no outstanding loans granted by any member of the Enlarged Group to the Directors or Proposed Directors or any guarantees provided by any member of the Enlarged Group for the benefit of the Directors or Proposed Directors.
- 6.9 No Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Enlarged Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 6.10 No Director, Proposed Director or any member of their respective families has any interest in a related financial product referenced to the Ordinary Shares.
- 6.11 No shares in the Company or in ValiRx have been borrowed by or lent by the Directors or Proposed Directors or by the Concert Party or any of their respective concert parties.
- 6.12 Save as disclosed in paragraph 6.4 above there is no agreement, arrangement or undertaking whereby the beneficial ownership of any of the Consideration Shares proposed to be allotted to the members of the Concert Party pursuant to the Acquisition Agreement will be transferred to any other person.
- 6.13 Save as disclosed in paragraph 14 of Part I of this document, neither the Concert Party nor any other person acting in concert with it has any interest in, rights to subscribe for, or any short positions in any Relevant Securities of the Company.
- 6.14 Neither the Company nor its directors nor any other person acting in concert with it has any interest in, rights to subscribe for or any short position in any Relevant Securities of the Company, ValiRx or Cronos.
- 6.15 Save as disclosed in paragraph 14 of Part I of this document, none of the Concert Party, ValiRx, the directors of ValiRx nor any person acting in concert with any of them has dealt in Relevant Securities in the Company during the Disclosure Period.
- 6.16 Save as disclosed in this paragraph 6 or paragraph 14 of Part I of this document, no Director or Proposed Director has any interests, rights to subscribe or short positions in the Company.
- 6.17 Save as disclosed in this paragraph 6 and paragraph 11 of Part VII of this document, no Associate of the Company, no Connected Adviser to the Company or to an Associate of the Company or to a person acting in concert with the Directors or person controlling, controlled by or under the same control as any such Connected Adviser (except for exempt principal trader or exempt fund manager) has any interests, rights to subscribe or short positions in the Company.
- 6.18 No pension fund of the Company or pension fund of any Associate has any interest, right to subscribe in or short positions in the securities of the Company.
- 6.19 No employee benefit trust of the Company or employee benefit trust of any Associate has any interest, right to subscribe in or short positions in the securities of the Company.
- 6.20 No agreement, arrangement or undertaking (including any compensation arrangement) exists between the Concert Party or any person acting in concert with it and any of the Directors, recent directors, Shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company, having any connection with or dependence upon the Acquisition.
- 6.21 Save as otherwise expressly provided, references in this paragraph 6 to "Relevant Securities" are to Existing Ordinary Shares, New Ordinary Shares, Consideration Shares, Ordinary Shares, shares in ValiRx and securities convertible into, or exchangeable for, rights to subscribe for, exercising, converting or closing out of, derivatives referable to and options (including traded options) in respect of, any of the foregoing.

References to the term "Associate" in this paragraph 6 will include ValiRx's or the Company's parent, subsidiaries and fellow subsidiaries, and their associate companies, and companies of which such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status).

References in this paragraph 6 to "Connected Adviser" mean:

- (i) in relation to ValiRx or the Company:
 - (a) an organisation which is advising that party in relation to the Acquisition; and
 - (b) a corporate broker to that party;
- (ii) in relation to a person who is acting in concert with ValiRx or with the directors of the Company, an organisation which is advising that person either:
 - (a) in relation to the Acquisition; or
 - (b) in relation to the matter which is the reason for that person being a member of the relative concert party; and
- (iii) in relation to a person who is an associate of ValiRx or of the Company by virtue of paragraph (i) of the definition of associate, an organisation which is advising that person in relation to the Acquisition.

References in this paragraph 6 to a person having an interest in securities include where:

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

A person who has long economic exposure, whether absolute or conditional, to changes in the price of securities will be treated as interested in those securities. A person who only has a short position in securities will not be treated as interested in those securities.

References in this paragraph 6 to an "arrangement" or "arrangements" includes an indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

References in this document to the Disclosure Period means the 12 month period ending from the date of this document.

7. Substantial Shareholders

- 7.1 Insofar as is known to the Company and in addition to the interests of the Directors and Proposed Directors disclosed in paragraph 6 above, the following persons are, 7 September 2006 being the latest practicable date prior to publication of this document, and are expected, following Admission, to be interested directly or indirectly in 3 per cent. or more of the Enlarged Share Capital:

Name	As at 7 September 2006		Following Admission	
	Number of Existing Ordinary Shares	% of Existing Share Capital	Number of Ordinary Shares	% of Enlarged Share Capital
J Holland	10,000,000	7.82	5,000,000	0.56
J Miller	7,158,874	5.60	3,579,437	0.40
Raven Nominees Limited	5,260,417	4.11	2,630,208	0.30
M Fogarty	4,000,000	3.13	2,000,000	0.23
M McDonagh	4,000,000	3.13	2,000,000	0.23
C Smith	4,000,000	3.13	2,000,000	0.23
Rosemount Limited ⁽¹⁾	0	0	78,750,000	8.90
October Investments Limited	0	0	150,000,000	16.95
Imperial Innovations ⁽¹⁾	0	0	70,312,500	7.94
MCC ⁽²⁾	0	0	59,456,250	6.72
MCC Europe ⁽²⁾	0	0	54,168,750	6.12
Ridgecrest ⁽¹⁾	0	0	33,750,000	3.81

(1) Following the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrant Shares as set out in paragraph 14 of Part I of this document, Rosemount Limited, Imperial Innovations and Ridgecrest will be interested in 8.02, 7.16 and 3.44 per cent., respectively, of the then enlarged ordinary share capital of the Company.

(2) Following the issue of Deferred Consideration Shares, ValiRx Option Shares and MCC Warrants Shares as set out in paragraph 14 of Part I of this document, MCC, MCC Europe, Anthony Moore, Sharon Clayton and Kenneth Denos will be interested in 6.05, 6.62, 1.15, 0.86 and 0.86 per cent., respectively, of the then enlarged ordinary share capital of the Company. Anthony Moore, Sharon Clayton and Kenneth Denos are directors of MCC and MCC Europe.

None of the Company's major holders of Existing Ordinary Shares or Ordinary Shares listed above has or will have voting rights different from the other holders of Existing Ordinary Shares or Ordinary Shares.

- 7.2 Peter Abbey has undertaken to subscribe for such amounts of Loan Stock 2008 as have not otherwise been subscribed for by 5.00 p.m. on 14 September 2006. In the event that he is required to subscribe for the maximum amount pursuant to this undertaking, he will be interested in 11.30 per cent. of the Enlarged Share Capital (such interest to include the Adviser Shares to be issued to Berkeley Consultants Limited, a company of which he is a director).
- 7.3 Save as disclosed in paragraph 6 above and in this paragraph 7, and insofar as the Company has the information, the Directors and Proposed Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, is or will be interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued ordinary share capital of the Company.
- 7.4 Save as disclosed in paragraph 6 above and in this paragraph 7, and insofar as the Company has the information, the Directors and Proposed Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, will (directly or indirectly) exercise or could exercise control over the Company.

8. Additional Information on the Directors

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

<i>Director</i>	<i>Current</i>	<i>Past</i>
Mr Barry Gold	BG Consultancy Services Limited Matisse Holdings plc Nemesis Marketing Group plc Premier Management Holdings plc Premier Management Recruitment Limited Premier Management Snooker Limited Venture Six plc	Aimwright Limited Apollo Metals plc Avent Limited Avent Enterprises Limited (formerly CAG (3235458) Limited) Bracken Partners Limited Bracken Partners Group Limited Cannon Avent Group plc Cannon Avent Limited Capitol Group plc Dudley Jenkins Group plc Essex Furniture plc Hopeflow Properties Limited London Asia Capital plc Moving Homes Limited Non League Media plc Pure Holdings Limited Southern Homes Limited Timeframed Limited Underwriting and Subscription plc Yorkplan Limited
Mr Gerald Desler	Andrew Manning Limited Andrew Mills Consultancy Limited Aralbest Limited BG Consultancy Services Limited Babble.net Group plc Buyinghomesinflorida.com Limited Click 4 Support Limited The Connecta Group Limited Connecta Holdings Limited Desler Consulting Limited Managed Services Solutions Limited MCS Agency Limited Nemesis Marketing Group plc Noviceguru Limited 140 High Street Management Limited Premier Management Football Limited Premier Management Holdings plc Premier Management Recruitment Limited Southern Homes & Properties Limited Sports Player Management Limited Theonlineshop.co.uk Limited Tangent Media Group Limited Venture Six plc	Kingstonian Football Club Limited C&R Civil Enforcement Services Limited Noviceguru Limited Global Screen Ad Services Limited Global Screen Ad Systems Limited Milefarm Limited The Online Shop Web Fulfilment Limited Theonlineshop.tv Limited Yorkplan Limited Signactual Limited
Dr Satu Vainikka	Cronos Therapeutics Limited Cronos Ventures Limited Bioconvergence Limited	Gene Expression Technologies Limited

<i>Director</i>	<i>Current</i>	<i>Past</i>
Dr George Morris	Cronos Therapeutics Limited Beckpharma Limited TTR Biotech Limited	TTR Limited EiRx Pharma Limited Physiomics plc ProBio Inc IM Life Sciences Limited Quartz Capital Limited London Capital Limited DCBA321 Services Limited Cellular Development Services Limited
Dr Jacob Micallef	Cronos Therapeutics Limited Cronos Ventures Limited	Gene Expression Technologies Limited
Mr Anthony Moore	Moore Clayton & Co Inc MCC Europe Limited MCC Global Services Limited Vizuri Limited	Healthcare Enterprise Group plc MediaZest Plc MediaZest Ventures Limited Morphogenesis Inc. Silicon Valley plc Tersus Energy plc Tersus Energy Services Limited
Mr Kevin Alexander	Alexco Energy Limited	GTL Resources plc GTL Resources (Australia) Pty Limited GTL Australian Holdings Pty Limited Moore Clayton & Co (UK) Limited

8.2 Mr Gold was a director at the time of or within the 12 months preceding the administrative receivership of Essex Furniture plc which occurred in October 1998. At the time the administration order was made, the estimated deficiency with regards to creditors was £17,044,308. The majority of this related to estimated rents due in respect of the remaining terms of leases, customers' deposits and a VAT repayment of £2.35 million.

Mr Gold was also a director at the time of or within the 12 months preceding the administrative receivership of Non-League Media plc, which occurred in June 2002. At the time the administration order was granted, the estimated deficiency with regards to creditors was £116,999.

Mr Gold was also a director at the time of or within the 12 months preceding the insolvent liquidation of Timeframed Limited, which occurred in November 2001. At the time of the appointment of the liquidator, the deficiency with regards to creditors was £8,361,386, of which £4,500,000 was in respect of loan stock holders; £3,000,000 was owed to the founder; £41,512 to preferential creditors; and £423,586 to unsecured creditors.

Mr Gold was a director at the time of or within the 12 months preceding the administrative receivership of Clearmark Group plc, which occurred in August 1991. The receivers ceased to act for Clearmark Group plc in 1998, which was subsequently dissolved by notice in the London Gazette, dated 20 April 1999.

8.3 Mr Desler was a director of Grovofair plc which entered into a company voluntary arrangement in March 1997. He had resigned as a director on 31 March 1996. Following Mr Desler's resignation as a director, Grovofair plc undertook a reorganisation whereby it was divided into two separately owned entities. While Grovofair plc went into a company voluntary arrangement, the other entity did not.

Mr Desler is a director of C&R Civil Enforcement Services Ltd, having been appointed on 9 August 2001. A liquidator to C&R Civil Enforcement Service Ltd was appointed on 18 October 2004. The liquidation is ongoing.

Mr Desler is a director of Sports Player Management Limited which went into liquidation in April 2006. The liquidation is ongoing.

Mr Desler was a director of Kingstonian Football Club Limited which went into administration on 25 October 2001. A company voluntary arrangement was approved on 27 August 2002 which was completed on 15 July 2003. On 6 August 2003, a court order was given approving the winding up of

Kingstonian Football Club Limited. Barry Gold was not a director of Kingstonian Football Club Limited on the date it went into administration but had been a director within a year of that date.

- 8.4 Dr Vainikka and Dr Micallef were both directors of Gene Expression Technologies Limited from 2000 to 2003. Gene Expression Technologies Limited entered into a creditors' voluntary liquidation and was liquidated on 16 April 2003. Total liabilities (preferential and unsecured) were £395,287. The deficiency to creditors was £142,755. The amount paid to unsecured creditors was 53.5p in the pound.
- 8.5 Save as disclosed in this document, none of the Directors or Proposed Directors has:
- 8.5.1 any unspent convictions in relation to indictable offences;
 - 8.5.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 8.5.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to 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 or within the 12 months after he had ceased to be a director of that company;
 - 8.5.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.5.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.5.6 been publicly criticised by any statutory or regulatory authorities (including recognised professional bodies); or
 - 8.5.7 been disqualified by a court from acting as a director of a company.
- 8.6 Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Enlarged Group or members thereof and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

9. Directors' and Proposed Directors' Service Agreements/Letters of Appointment/Consultancy Agreements

- 9.1 Details of the Directors' and Proposed Directors' service agreements/letters of appointment/consultancy agreements are as follows:
- 9.1.1 On 8 September 2006, the Company entered into a service agreement with Satu Vainikka, to commence on the date of Admission pursuant to which Dr Vainikka is employed as chief executive officer of the Company with a salary (subject to annual review) of £90,000 per annum. Dr Vainikka will also be eligible for a bonus in respect of a particular financial year of the Company (which in the first financial year of the Company following Admission is limited to 40 per cent. of annual salary) at the discretion of the Company's remuneration committee. Dr Vainikka's service agreement contains post-termination restrictions for a period of between 6 and 12 months following the termination of her employment. Dr Vainikka's service agreement can be terminated by 6 months' notice given by either party to be served at any time after the period of 12 months from the date of commencement. Dr Vainikka shall be obliged to devote 5 days per week to the duties assigned to her. Dr Vainikka's service agreement provides for no benefits on termination of employment. The Company has agreed to pay Dr Vainikka a fee of £2,000 for work provided in advance of Admission.
 - 9.1.2 On 8 September 2006, the Company entered into a service agreement with Jacob Micallef, to commence on the date of Admission pursuant to which Dr Micallef is employed as chief operating officer of the Company with a salary (subject to annual review) of £75,000 per annum. Dr Micallef will also be eligible for a bonus in respect of a particular financial year of the Company (which in the first financial year of the Company following Admission is limited to 40 per cent. of annual salary) at the discretion of the Company's remuneration committee. Dr Micallef's service agreement contains post-termination restrictions for a period of between 6 and 12 months

following the termination of his employment. Dr Micallef's service agreement can be terminated by 6 months' notice given by either party to be served at any time after the period of 12 months from the date of commencement. Dr Micallef shall be obliged to devote 5 days per week to the duties assigned to him. Dr Micallef's service agreement provides for no benefits on termination of employment. The Company has agreed to pay Dr Micallef a fee of £2,000 for work provided in advance of Admission.

9.1.3 On 8 September 2006, the Company entered into a service agreement with George Morris, to commence on the date of Admission pursuant to which Dr Morris is employed as the Company's development officer with a salary (subject to annual review) of £75,000 per annum. Dr Morris will also be eligible for a bonus in respect of a particular financial year of the Company (which in the first financial year of the Company following Admission is limited to 40 per cent. of annual salary) at the discretion of the Company's remuneration committee. Dr Morris' service agreement contains post-termination restrictions for a period of between 6 and 12 months following the termination of his employment. Dr Morris' service agreement can be terminated by 6 months' notice given by either party to be served at any time after the period of 6 months from the date of commencement. Dr Morris shall be obliged to devote 5 days per week to the duties assigned to him. Dr Morris' service agreement provides for no benefits on termination of employment. The Company has agreed to pay Dr Morris a fee of £2,000 for work provided in advance of Admission.

9.1.4 On 8 September 2006, the Company entered into a letter of appointment with Anthony Moore, to commence on the date of Admission, pursuant to which the Board has agreed to appoint Mr Moore as a non-executive chairman of the Company. The appointment is terminable on 3 months' written notice by either party to be served at any time after the period of 6 months from the date of commencement. The Company will pay Mr Moore an annual director's fee of £15,000. Mr Moore shall be obliged to devote two days per month to the duties assigned to him. Mr Moore's letter of appointment provides for no benefits upon termination of office.

9.1.5 On 8 September 2006, the Company entered into a letter of appointment with Kevin Alexander, to commence on the date of Admission, pursuant to which the Board has agreed to appoint Mr Alexander as a non-executive director of the Company. The appointment is terminable on 3 months' written notice by either party to be served at any time after the period of 6 months from the date of commencement. The Company will pay Mr Alexander an annual director's fee of £15,000. Mr Alexander shall be obliged to devote two days per month to the duties assigned to him. Mr Alexander's letter of appointment provides for no benefits upon termination of office. The Company has agreed to pay Mr Alexander a fee of £12,500 for work provided in advance of Admission.

9.1.6 Gerald Desler has been a director of the Company since 12 May 2006. On 8 September 2006, the Company entered into a consultancy agreement with Mr Desler to commence on the date of Admission, pursuant to which Mr Desler is retained as a consultant to the Company. Mr Desler will be remunerated at a monthly rate of £2,083.33 and will be eligible for a bonus at the discretion of the remuneration committee (which in the first financial year of the Company following Admission is limited to 40 per cent. of annual remuneration). Mr Desler's consultancy agreement contains post-termination restrictions of between 3 and 6 months following its termination. Mr Desler's consultancy agreement can be terminated by 6 months' notice given by either party to be served at any time after the period of 6 months from the date of commencement. Mr Desler shall be expected to devote two days per month to the duties assigned to him. Mr Desler's consultancy agreement provides for no benefits upon termination. The Company has agreed to pay Mr Desler a fee of £2,000 for work provided in advance of Admission.

9.1.7 Barry Gold has been a director of the Company since 12 May 2006. On 11 May 2006, the Company entered into a consultancy agreement with Mr Gold under which he receives £2,000 per month until completion of the Acquisition. Under the terms of the consultancy agreement, Mr Gold will receive a fee of £25,000 on the approval by Shareholders of the Acquisition. Mr Gold's consultancy agreement provides for no benefits upon termination.

9.2 Under Mr Desler's previous consultancy agreement dated 11 May 2006 he receives £2,000 per month until completion of the Acquisition. Under the terms of this agreement, Mr Desler will receive £25,000 on the approval by Shareholders of the Acquisition.

- 9.3 Both Gerald Desler and Barry Gold were paid £10,000 each for consultancy work for the Company prior to joining the Board.
- 9.4 There is no arrangement under which any Director or Proposed Director has waived or agreed to waive future emoluments.
- 9.5 Save as disclosed in this paragraph 9 there are no existing or proposed service or consultancy agreements between any Director or Proposed Director and any member of the Enlarged Group.
- 9.6 Save as disclosed in this paragraph 9 there have been no further amendments to the Directors' service contracts over the last six months from the date of this document.
- 9.7 Details of a payment agreed to be made to Kevin Alexander are set out in paragraph [11.0] of this Part VII.
- 9.8 In the year ended 31 December 2005 the total aggregate remuneration paid, and benefits-in-kind granted, to the Directors was £24,000. The amounts payable to the Directors and Proposed Directors by the Enlarged Group under the arrangements in force at the date of this document in respect of the year ending 31 December 2006 are estimated to be £134,250 (excluding any discretionary payments which may be made under these arrangements).

10. Employees

The Company currently has no employees and had no employees as at 31 December 2005, 31 December 2004 or at 31 December 2003. Cronos and ValiRx have no employees at the date of this document, other than their respective directors

11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Enlarged Group within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Enlarged Group has an obligation or entitlement which is material to the Enlarged Group:

- 11.1 The Company is party to the Nominated Adviser Agreement, pursuant to which the Company has appointed WH Ireland to act as nominated adviser to the Company. Under the terms of the Nominated Adviser Agreement, the Company has agreed to pay WH Ireland an annual advisory fee ("Advisory Fee") of £32,500 plus VAT per annum, save that for the initial 12 months the fee shall be £16,250 plus VAT. The Nominated Adviser Agreement is for an initial period of 24 months commencing on the date of the agreement and is terminable thereafter on 6 months' notice by either party.

In addition, by a letter of engagement dated 11 May 2006 ("Broker Agreement"), the Company appointed WH Ireland to act as broker to the Company pursuant to the AIM Rules in connection with the trading of the existing ordinary share capital of the Company on AIM. Under the terms of the engagement letter, WH Ireland is entitled to receive from the Company an annual retainer of £15,000 plus VAT, which will form part of the Advisory Fee paid by the Company under the Nominated Adviser Agreement detailed above. The agreement is for an initial period of 12 months from the date of the agreement and is terminable thereafter on 6 months' notice by any party.

- 11.2 On 8 September 2006, the Company entered into an introduction agreement, (the "Introduction Agreement") with (1) WH Ireland, (2) the Directors and (3) the Proposed Directors pursuant to which the Company, *inter alia*, authorised WH Ireland to make the application for Admission on behalf of the Company. The Company agreed to pay WH Ireland a fee of £80,000 in respect of its services under the Introduction Agreement. The Introduction Agreement contains certain undertakings, warranties and indemnities given by the Company in respect of, *inter alia*, compliance with law and regulation, and certain warranties given by the Directors and the Proposed Directors.
- 11.3 On 8 September 2006, the Company entered into a deed of warrant grant (the "Warrant Instrument") whereby the Company created 9,140,401 warrants ("Warrants") which it issued to WH Ireland. Each Warrant gave the respective Warrant holder the right to subscribe in cash for one Ordinary Share at a price of $\frac{2}{5}$ p per Ordinary Share (the "Subscription Price"). The Warrants are exercisable for a period of three years from the date of Admission. The Warrant Instrument contains anti-dilution provisions.
- 11.4 On 9 November 2005, the Company entered into the Convertible Loan Stock Instrument 2005. The principal amount of loan stock created thereunder was £500,000. The Company undertook to repay loan stock holders the amount of any loan stock and a premium of £1 for each £1 nominal amount of

loan stock on the first to occur of 31 December 2006 and a Conversion Event. A Conversion Event for the purposes of the Convertible Loan Stock Instrument 2005 is defined in the Convertible Loan Stock Instrument 2005 as the delivery to London Stock Exchange by the Company of the information required by rule 2 of the AIM Rules (Pre-admission announcement) or receipt by the Company of a conversion notice from a loan stock holder as set out in the Convertible Loan Stock Instrument 2005. The Company may repay loan stock and premium early. The loan stock carries no interest.

The loan stock and the premium are capable of conversion into ordinary shares in the capital of the Company, if, *inter alia*, a Conversion Event has occurred and the Panel grants a waiver of the obligations under rule 9 of the City Code which may arise from a Conversion Event and such waiver has been approved at an extraordinary general meeting of the Company by a vote of independent shareholders taken on a poll. The conversion price for loan stock and premium is 100 Existing Ordinary Shares in the capital of the Company for each £1 otherwise due for repayment.

The Convertible Loan Stock Instrument 2005 sets out certain obligations of the Company and certain events of default including certain insolvency events.

- 11.5 On 18 July 2006, the Company entered into the Convertible Loan Stock Instrument 2008. The principal amount of loan stock created thereunder was £1,200,000. The loan stock is repayable on 18 July 2008 unless converted or repaid in accordance with the terms of the Convertible Loan Stock Instrument 2008, or at any time after 31 October 2006 at the Company's option. The Company agreed to pay a premium of £2 for every £1 nominal of loan stock on 18 July 2008, unless previously converted or paid, or at any time after 31 October 2006 at the Company's option.

The Conversion Event for the purposes of the Convertible Loan Stock Instrument 2008 is the passing at the EGM of resolutions to allot sufficient number of shares and to disapply section 89(1) of the Act to permit conversion of the loan stock to occur and if appropriate, the approval of by a vote of independent shareholders taken on a poll of any waiver granted by the Panel under rule 9 of the City Code which may arise from such conversion. Immediately prior to the Conversion Event, the loan stock is deemed repayable and the premium is deemed payable. On the Conversion Event, the loan stock together with any premium which has not been repaid or paid as the case may be will be converted into ordinary shares in the capital of the Company at the rate of 100 Existing Ordinary Shares in the capital of the Company for each £1 otherwise due for repayment or payment.

Interest is payable from 1 November 2006 on the principal amount of loan stock which has not been converted at the rate of two per cent. over the base rate of Bank of Scotland plc from time to time. Interest is payable twice yearly, the first interest period running from 1 November 2006 to 31 March 2007.

The Convertible Loan Stock Instrument 2008 sets out certain obligations of the Company and certain events of default including certain insolvency events.

- 11.6 By way of an undertaking to subscribe dated 7 September 2006 October Investments Limited ("October") undertook to subscribe for £500,000 of ValiRx Loan Stock by no later than 5.00 p.m. on 14 September 2006. This undertaking is supported by a personal guarantee given by Stephen Wheatley a director of October.
- 11.7 Applications for subscriptions dated 6 September 2006 for £25,000 of Convertible Loan Stock 2008 have been received by the Company.
- 11.8 By way of an undertaking dated 6 September 2006, Peter Abbey has undertaken to subscribe for such amounts of Loan Stock 2008 as have not otherwise been subscribed for by 5.00 p.m. on 14 September 2006.
- 11.9 On 3 November 2004, the Company entered into a consultancy and option agreement with Berkeley Consultants Limited ("Consultant") and Berkeley Company Management (UK) Limited ("BCM"). The Company engaged the Consultant to assist in identifying a suitable target for a reverse takeover ("Reverse"), advising on financial and fund raising matters, assisting the Company in raising equity and/or debt finance and assisting in negotiation of funding transactions. The agreement remains in force for twelve months from 3 November 2004, and continues until terminated by either the Company, the Consultant or BCM giving three months' written notice. The Company agreed to pay the Consultant a fee of £100,000 on the completion of a Reverse identified by the Consultant. The Consultant may apply half of this fee to the subscription of Ordinary Shares at a price per share equal to the price of an

Ordinary Share upon Admission. The Consultant has chosen to take half its fees in shares, and it is proposed that 3,750,000 Ordinary Shares be issued to the Consultant on Admission.

In consideration for £1, the Company granted the Consultant an option (the "Option") to subscribe for 3 per cent. of the ordinary shares in the capital of the Company immediately following Admission. The Option which may be exercised by the Consultant at any time before the second anniversary of Admission is exercisable in cash at the price per ordinary share equal to the price at which ordinary shares are issued at Admission.

Under the agreement, the Consultant is to provide business and financial advice and consultancy services, and BCM provides secretarial, administration, accounting and compliance services. An annual fee of £25,000 is payable to the Consultant and BCM in respect of these services. The Consultant will make available office premises and secretarial assistance to the Company for a fee of £12,000 plus VAT per annum.

11.10 On 8 September 2006, the Company entered into a lock in agreement (the "Lock In Agreement") with WH Ireland and the Locked-In Shareholders whereby the Locked-In Shareholders undertook not to dispose of any of the Ordinary Shares legally or beneficially held by them and any rights to acquire Ordinary Shares pursuant to the exercise of an option or warrant for a period of twelve months from the date of Admission, and for a period of 24 months from the date of Admission not to dispose of any Ordinary Shares legally or beneficially held by them at the date of Admission or acquired by them in the period 24 months from the date of Admission without the prior written consent of WH Ireland, (not to be unreasonably withheld or delayed) and through WH Ireland in an orderly manner. The restrictions in the Lock-In Agreement do not apply:

- in acceptance of a general offer made to the Company's shareholders to acquire all of the Ordinary Shares made in accordance with the Code;
- by the personal representatives of a Locked In Person if he should die during the period in which the restrictions on disposal under the Lock In Agreement are in force; or
- pursuant to an intervening court order by a court of competent jurisdiction.

11.11 On 8 September 2006, the Company entered into an orderly marketing agreement (the "Orderly Marketing Agreement") with WH Ireland and the Restricted Shareholders, whereby the Restricted Shareholder undertook not to dispose of the Ordinary Shares legally or beneficially held by them immediately following Admission and any rights to acquire Ordinary Shares pursuant to the exercise of an option or warrant and any Ordinary Shares acquired during the period twelve months from the date of Admission for a period of twelve months from the date of Admission without the prior written consent of WH Ireland, (not to be unreasonably withheld or delayed) and through WH Ireland in an orderly manner. The restrictions in the Orderly Marketing Agreement do not apply:

- in acceptance of a general offer made to the Company's shareholders to acquire all of the Ordinary Shares made in accordance with the Code;
- by the personal representatives of a Restricted Shareholder if he should die during the period in which the restrictions on disposal under the Orderly Marketing Agreement are in force; or
- pursuant to an intervening court order by a court of competent jurisdiction.

11.12 On 8 September 2006, Imperial Innovations entered into an orderly marketing agreement (the "Imperial Orderly Marketing Agreement") with WH Ireland and the Company, pursuant to which Imperial Innovations undertook not to dispose of Ordinary Shares legally or beneficially held by it immediately following Admission for a period of twelve months from the date of Admission without the prior written consent of WH Ireland, (not to be unreasonably withheld or delayed) and through WH Ireland in an orderly manner. The restrictions in the Orderly Marketing Agreement do not apply:

- in acceptance of a general offer made to the Company's shareholders to acquire all of the Ordinary Shares made in accordance with the Code;
- made pursuant to an offer by or an agreement with the Company to purchase its own shares; or
- pursuant to an intervening court order by a court of competent jurisdiction.

11.13 On 8 September 2006, the Company entered into the Call Option Agreement with the Cronos Minority Shareholders. Under the terms of the Call Option Agreement, the Company has the right to acquire the remaining 6,293 ordinary shares of 1p each in the capital of Cronos from the Cronos Minority

Shareholders for a period of two years from Admission. In consideration for such acquisition, the Company will either issue to the Cronos Minority Shareholders 195,000,000 New Ordinary Shares or will make a payment to the Cronos Minority Shareholders of £2.6 million. Completion of the Call Option Agreement is conditional on Admission.

- 11.14 On 8 September 2006, the Company entered into the Acquisition Agreement with the members of the Concert Party and ValiRx for the sale and purchase of 10,000 ordinary shares in the capital of ValiRx. Completion of the Acquisition Agreement is conditional upon the passing of the resolutions at the EGM, Admission and production of evidence by Azure that Azure will on Admission have cash resources of not less than £1,171,111. In consideration for the transfer of the shares in the capital of ValiRx under the Acquisition Agreement, the Company shall allot a total of 562,500,000 Ordinary Shares. Deferred Consideration is payable under the terms of the Acquisition Agreement following the filing of a patent application with the UK Patent Office in a form approved by the Board in relation to certain intellectual property arrangements as set out in a research agreement and licence between Cronos and Physiomics plc. A total of 150,000,000 Deferred Consideration Shares may be allotted by way of Deferred Consideration to the members of the Concert Party.
- 11.15 On 8 September 2006, the Company entered into the October Acquisition Agreement. Under the terms of the October Acquisition Agreement, the Company agreed to purchase 1,333 ordinary shares of 1p each in the capital of ValiRx. In consideration for such acquisition, the Company agreed to allot 75,000,000 Ordinary Shares. Completion of the October Acquisition Agreement is conditional on the passing of the resolutions at the EGM and Admission.
- 11.16 On 8 September 2006, the Company entered into a deed of warrant grant (the "MCC Warrant Instrument") whereby the Company created 13,710,602 warrants ("MCC Warrants") to be issued to MCC Europe. Each MCC Warrant gave MCC Europe the right to subscribe in cash for 1 Ordinary Share at a price of $\frac{2}{3}$ p per Ordinary Share. The MCC Warrants are exercisable for a period of 2 years from the date of Admission. The MCC Warrant Instrument contains anti-dilution provisions.
- 11.17 On 8 September 2006, ValiRx entered into a loan stock instrument ("ValiRx Loan Stock Instrument") creating £500,000 nominal convertible unsecured loan stock ("ValiRx Loan Stock"). The ValiRx Loan Stock is repayable on the date 24 months from the date of the ValiRx Loan Stock Instrument unless it has been previously converted or repaid in accordance with the terms of such instrument at the option of ValiRx. The conversion event for the purposes of the ValiRx Loan Stock Instrument is the passing at the EGM of certain of the resolutions to be proposed there. The conversion price for the ValiRx Loan Stock is £375.09 per ordinary share in the capital of ValiRx.
- 11.18 By way of an undertaking to subscribe dated 6 September 2006 October undertook to subscribe for £500,000 of ValiRx Loan Stock by no later than 5.00 p.m. on 14 September 2006. This undertaking is supported by a personal guarantee given by Stephen Wheatley, a director of October.
- 11.19 On 8 September 2006, the Company entered into an agreement with James Nicholas Thorniley whereby the Company agreed to pay James Nicholas Thorniley a fee of £12,500 on Admission in consideration for assistance provided in advance of Admission.
- 11.20 On 8 September 2006, the Company entered into an agreement with Kevin Alexander whereby the Company agreed to pay Kevin Alexander a fee of £12,500 on Admission in consideration for assistance provided in advance of Admission.
- 11.21 On 8 September 2006, ValiRx entered into an agreement with Ridgecrest for the purchase of 306,700 shares of common stock in Morphogenesis from Ridgecrest in consideration for the allotment of 600 ordinary shares in the capital of ValiRx to Ridgecrest. Completion of this agreement is conditional on Admission.
- 11.22 On 8 September 2006, ValiRx entered into an agreement with MCC for the purchase of shares of common stock in Morphogenesis from MCC in consideration for the allotment of 1,057 ordinary shares in the capital of ValiRx to MCC. Completion of this agreement is conditional on Admission.
- 11.23 Cronos has entered into patent licences with Imperial Innovations, details of which are set out in paragraph 12 of this Part VII.

12. Patents

Cronos entered into a Patent Licence Agreement with Imperial Innovations on 18 October 2005 with respect to patent application numbers GB 0116453.2 and PCT/GB0203080. This has been amended to expire on 30 November 2006, although upon Admission will extend for the life of the patents.

Cronos entered into a Patent Licence Agreement with Imperial Innovations on 17 August 2004 with respect to the following patents:

UK Application 01303301.5 (superseded) taking priority from 9915126.8
PCT/GB00/02497 (published as W001/02019)
EP0090656.2
US10/019520
CA2376166
AU55566/00
JP2001-507509.

This has been amended to expire on 30 November 2006, although upon Admission will extend for the life of the patents.

By way of an agreement dated 4 September 2006 between Cronos (1) and Imperial Innovations (2), the term of each of the patent licences between Cronos (1) and Imperial Innovations (2) dated respectively 17 August 2004 and 18 October 2005 was extended, subject to conditions, for the life of the patents to which they relate. The extension is conditional upon the latest of the following events taking place.

- (i) the exchange of all of the shares in the capital of Cronos held by Imperial Innovations for shares in the capital of ValiRx;
- (ii) conclusion of the sale of the entire issued share capital of ValiRx to Azure and ValiRx becoming a wholly owned subsidiary of Azure;
- (iii) Admission; and
- (iv) the Company having cash in bank of £150,000.

13. United Kingdom Taxation

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on existing law in force in the UK ("UK") and what is understood to be current HM Revenue and Customs' (HMRC) practice. It is intended as a general guide only and applies to Shareholders who are resident in the UK (except to the extent that specific reference is made to Shareholders resident outside the UK), who hold the Ordinary Shares as investments and who are the absolute beneficial owners of those Ordinary Shares.

Any Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the UK should consult their professional advisers immediately. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may affect benefits of investment in the Company. This summary is not exhaustive.

13.1 Taxation of Dividend

13.1.1 UK Resident Individual shareholders

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a notional tax credit (the "related notional tax credit"), currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related notional tax credit). The individual is treated as receiving for tax purposes gross income equating the cash dividend plus the related notional tax credit. This is included in the recipient shareholders' total taxable income for tax year of receipt and treated as the top slicing income of the recipient shareholder's taxable income in that tax year.

The lower rate of income tax on dividend income is currently 10 per cent. An individual UK resident shareholder who pays income tax at the lower rate of tax (10 percent) or is not liable to income tax at a rate not greater than the basic rate (22 percent), will pay tax on the divided income at the lower rate of tax against which the shareholder can set off the related notional tax credit. As a consequence, such shareholder will have no further liability to account for income tax on the dividend income received.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer (currently 40 per cent.), will pay tax on the dividend income at the higher rate of 32.5 per cent. against which the shareholder can set off the related notional tax credit. Such shareholder will have a further liability to account for additional income tax on the dividend income. The additional income tax is 22.5 percent of the dividend income received plus the related notional tax credit (or 25 percent of the net dividend income).

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, are not generally entitled to claim repayment of any part of the notional tax credit associated with the dividend from the HM Revenue and Customs.

13.1.2 Trustees of UK Resident Trusts

For dividends paid to Trustees of UK trusts, the dividend income will be subject to UK income tax at the dividend ordinary rate of 10 per cent. to the extent that the dividend income does not exceed the trust standard rate band (£1,000 for the current tax year). Any amount in the excess of the trust standard rate band is taxed at 32.5 per cent. To the extent that the related notional tax credit exceeds the Trustees' liability to account for income tax, the trustees will have no right to claim repayment of the related notional tax credit. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

13.1.3 UK Resident Corporate Shareholders

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

13.1.4 UK Resident Pension Funds and Charities

UK pension funds and charities are not subject to tax on dividends which they receive. Neither are they generally entitled to claim repayment of the related notional tax credit.

13.1.5 Non-resident Shareholders

A Shareholder not resident in the UK for tax purposes is generally not taxed in the UK on dividends received by them nor entitled to related notional tax credit in respect of a dividend received. However, such a non-resident Shareholder may be entitled to a payment from the UK tax authorities (HMRC) of a proportion of the related notional tax credit in respect of dividends paid to the recipient under a double tax treaty between the UK and the country in which the Shareholder is resident for tax purposes.

A non-UK resident shareholder may also be subject to foreign taxation on dividend income. Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

13.2 *Taxation of Chargeable Gains*

13.2.1 UK Resident shareholders

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares will be regarded as an acquisition of a new holding in the share capital of the Company.

The new ordinary Shares so allotted will be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

Shareholders who are not resident or ordinarily resident in the UK for tax purposes should not generally have liability to UK taxation on chargeable gains.

Individuals, personal representatives and certain trusts may benefit from taper relief on the disposal of shares, dependent on the nature of the company and the length of time the shares have been held. Where the shares qualify as business assets and have been held for more than one year, 50 per cent. of the gain will be exempt, rising to 75 per cent. where the shares had been held for more than two years. This will generally apply where the company is a trading company.

In other cases, the shares will benefit from non-business asset taper relief. If the shares have been held for three years, the gain will be reduced by 5 per cent. rising by an additional 5 per cent. for each further year held until a maximum exemption of 40 per cent. is reached after 10 years.

In addition individuals, personal representatives and certain trusts are generally eligible for capital gains tax annual exemption which is set at £8,800 for the current tax year. This means that the first £8,800 of net chargeable gain after taper relief is Capital Gains Tax free and any amount in excess of the general annual exemption limit for the tax year of disposal is generally subject to capital gains tax at 10 per cent./20 per cent./40 per cent. depending on the shareholder's marginal rate of tax.

Most UK settlements are generally eligible for half of the annual exemption limit for individuals, etc divided by the number of settlements created by one settlor but capped at a minimum of one-fifth. The exemption limit for the current tax year is £4,400.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain. Companies may be eligible for substantial shareholding exemption subject to certain conditions being met.

13.2.2 Non-Resident Shareholders

Shareholders who are neither resident nor ordinary resident in the UK for taxation purposes, and who do not hold the company's shares as part of the assets of a trade carried on in the UK through a UK permanent establishment will not be subject to UK capital gains tax on the sale of the shares.

Shareholders who hold the company's shares as part of asset of a trade carried on in the UK through the medium of UK permanent establishment may be subject to capital gains on the disposal (or corporation tax for non-resident company trading in the UK through a UK permanent establishment). Such shareholders should consult their own professional adviser.

Shareholders with dual residence for tax purposes may be eligible for treaty tax relief. Such shareholders should consult their own tax adviser.

Shareholders should note that companies admitted to trading on AIM are regarded as unquoted for tax purposes.

13.3 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable on the issue of the New Ordinary Shares payable by the Company seeking admission to AIM following a reverse takeover. Subsequent transfers of or sales of Ordinary Shares will generally be subject to *ad valorem* stamp duty on the transfer of the document at the rate of 0.5 per cent. of the amount or value of the consideration paid subject to a minimum duty of £5. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which such agreement is made or becomes unconditional, will generally be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given). Transfers under the CREST system for paperless transfers of shares will generally be liable SDRT at the rate of 0.5 per cent. of the amount or value of consideration.

14. Share Option Schemes

At an extraordinary general meeting held on 25 February 2000, the shareholders of the Company resolved to adopt the Unapproved Scheme. At an extraordinary meeting of the Company held on 4 January 2002 the Company resolved to adopt the EMI Scheme.

14.1 The Unapproved Scheme

A summary of the rules of the Unapproved Scheme is as follows:

(i) Grant of Options

Options can be granted at the discretion of the directors to eligible employees within 42 days of the scheme being adopted by shareholders, or within 42 days after the announcement of the

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Company's annual or half yearly results, or within 14 days immediately after a person first becomes an eligible employee.

No options can be granted after the tenth anniversary of the date of adoption of the Unapproved Scheme.

(ii) Performance Conditions

The exercise of options may be made subject to performance conditions set by the directors or a remuneration committee thereof. These performance conditions may be changed by the directors for options to be granted in the future to another objective criterion. Where options have already been granted, the performance conditions may only be amended in appropriate circumstances so that performance conditions afford a more effective incentive but the amended conditions should not be more difficult to satisfy than the performance conditions set at the time of grant.

(iii) Eligible Employees

Options can be granted to any director or employee of the Company or its subsidiaries. Options cannot be granted to any director or employee within two years preceding any retirement date stipulated in his contract of employment.

(iv) Subscription Price

The subscription price payable on the exercise of options shall be determined by the remuneration committee but shall be not less than the greater of market value of the ordinary shares on the date of grant or the nominal value of the share. The market value is the price shown in the *Financial Times* on the date of grant.

(v) Limitations

The number of ordinary shares that can be the subject of options granted under the Unapproved Scheme and any other share scheme within the preceding ten years cannot exceed 20 per cent. of the issued ordinary share capital of the Company for the time being.

(vi) Exercise of Options

Upon the grant of options, a date or dates will be specified, before which options cannot normally be exercised. Options may, however, be exercised earlier, subject to any performance conditions having been satisfied, if the option holder ceases to be an eligible employee by reasons of injury, ill-health, disability, redundancy, retirement on or after the expected retirement date, or death, whereupon the option holder has a period of not less than six months following such event to exercise the option. If it is not so exercised, the option will lapse. If the eligible employee leaves the employment of the Company or any associated company for any other reason then the option shall lapse, at the discretion of the directors. In any event, all options shall lapse on the tenth anniversary on the date of grant.

The rules also provide for the early exercise of options, again provided that any performance conditions have been satisfied, in the event of a change of control of the Company, a de-merger, a reconstruction scheme under section 425 of the Companies Act 1985, where a person becomes bound or entitled under section 428-430F of that Act to acquire the remaining issued share capital of the Company, or where a resolution for the voluntary winding up of the Company is passed. The rules also contain provision for the roll over of options in the event of a change of control with the agreement of the acquiring company.

(vii) Adjustment of Options

In the event of any variation in the share capital of the Company by way of capitalisation, rights issue, consolidation, sub-division, reduction or otherwise, the Company can, subject to written confirmation from its auditors, adjust the number of ordinary shares which are subject to options, and the subscription price for such options.

(viii) Scheme Amendment

The Unapproved Scheme will be administered by the directors of the Company, who have the power to alter its rules. However, amendments cannot be made which detrimentally affect option holders without the consent of option holders who, assuming that they exercise their options in

full, would become entitled to not less than three quarters of the nominal number of ordinary shares being the subject of such options. The board must also obtain prior approval of the Company in general meeting where a variation seeks to extend the class of person eligible for the grant of options, or alter to the advantage of option holders rules relating to the grant of options, scheme limits, the adjustment of options, and the subscription price except for minor amendments to benefit the administration of the Unapproved Scheme, to comply with or take account of any proposed or existing legislation or law or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders for the Company.

14.2 *The EMI Scheme*

The rules of the EMI Scheme are similar to the rules of the Unapproved Scheme save for the following principal differences summarised below.

- (i) Options may only be granted to directors or employees who devote at least 25 hours a week or, if less, 75 per cent. of working time to the business of the Azure group.
- (ii) the EMI Scheme is regulated by the provisions of schedule 14 to the Finance Act 2000. (Note that schedule 14 has now been replaced with schedule 5 Income Tax (Earnings and Pensions) Act 2003).
- (iii) The maximum value of options, based on the market value of an ordinary share at the date of grant, that can be granted to any employee under the EMI Scheme is £100,000.
- (iv) The maximum value of options that can be granted under the EMI Scheme, based on the market value of an ordinary share at the date of grant, is £3 million.
- (v) No options may be granted to any employee who has a material interest in the Company as defined by paragraph 31 of schedule 14 (note now paragraph 2.9 of schedule 5), which in general terms is more than 30 per cent. of issued share capital.

15. **Working Capital**

The Directors and Proposed Directors are of the opinion, having made due and careful enquiry, that subject to the Funding being received by the Enlarged Group by no later than 27 September 2006, the Enlarged Group has sufficient working capital for its present requirements, that is at least 12 months from the date of Admission.

16. **Environmental issues**

The Directors and Proposed Directors are not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Enlarged Group.

17. **Litigation**

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

18. **Significant Changes**

- 18.1 There has been no significant change in the financial or trading position of the Company since 31 December 2005, being the date of the Company's last audited accounts.
- 18.2 There has been no significant change in the financial or trading position of Cronos since 31 March 2006, being the date of Cronos' last audited accounts.
- 18.3 There has been no significant change in the financial or trading position of ValiRx since its incorporation.

19. **Related Party Transactions**

Related party transactions during the period are covered by the historical financial information with relation to Azure and Cronos are described in Parts III and IV of this document respectively. None of these transactions

are considered material either in the context of the Proposals or in the context of the turnover of the Company, ValiRx or Cronos in the relevant periods.

ValiRx has not entered into any related party transactions.

20. General

- 20.1 It is estimated that the total expenses payable by the Company in connection with the Proposals will amount to approximately £596,175 (including any applicable VAT).
- 20.2 WH Ireland has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 20.3 Baker Tilly has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in respect of Part III in the form and context in which they appear.
- 20.4 Adler Shine have given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in respect of Parts IV, V and VI in the form and context in which they appear.
- 20.5 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Enlarged Group's business.
- 20.6 There have been no interruptions in the business of the Enlarged Group or any member thereof, nor are there any significant recent trends, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Enlarged Group or any member thereof or which are likely to have a material effect on the prospects of the Enlarged Group for the next 12 months.
- 20.7 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any significant recent trends in production sales and inventory and costs and selling prices since the end of Cronos' last financial year end which would affect the Enlarged Group.
- 20.8 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.
- 20.9 The Existing Ordinary Shares are and the Ordinary Shares will be in registered form. No temporary documents of title will be issued.
- 20.10 Save as disclosed in this document there have been no payments by any member of the Enlarged Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 20.11 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 20.11.1 received, directly or indirectly from any member of the Enlarged Group within the 12 months preceding the date of this document; or
- 20.11.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Enlarged Group, on or after Admission, any of the following:
- fees totalling £10,000 or more;
 - securities of the Company where these have a value of £10,000 or more calculated by reference to the expected opening price at Admission; or
 - any other benefit with the value of £10,000 or more at the date of this document.
- 20.12 Save as disclosed in this document, the Directors and Proposed Directors are unaware of any exceptional factors which have influenced the Enlarged Group's activities.
- 20.13 Save as disclosed in this document, there are no investments in progress which are significant to the Enlarged Group.
- 20.14 The International Security Identification Number of the Existing Ordinary Shares is GB0033692368 and on Admission will be GB00B1CRL578 for the Ordinary Shares.

21. Documents available for inspection

Copies of the following documents may be inspected at the Registered Office of the Company and at the offices of Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

- (a) the Memorandum and Articles of Association of the Company and ValiRx;
- (b) the audited accounts of the Company for the two financial years 2004 and 2005;
- (c) the material contracts referred to in paragraph 11 above;
- (d) the Directors' and Proposed Directors' service contracts, letters of appointment and consultancy agreements;
- (e) the consent letters referred to in paragraph 20 above;
- (f) the letters from Adler Shine set out in Parts IV, V and VI of this document;
- (g) the letter from Baker Tilly set out in Part III of this document; and
- (h) this document.

Dated 8 September 2006

GLOSSARY OF TECHNICAL TERMS

The following technical terms apply throughout this document, unless the context otherwise requires:

"antigen"	a substance, usually a protein, on the surface of a cell or bacterium that stimulates the production of an antibody
"chromatin"	the substance that forms chromosomes in conjunction, and various other components
"diagnostic"	identifying, or used in identifying, the nature or cause of an illness, disorder, or problem, or a test, procedure, or instrument used to identify the nature or cause of an illness, disorder, or problem
"DNA"	a nucleic acid molecule in the form of a twisted double strand (double helix) that is the major component of chromosomes and carries genetic information
"enzyme"	a complex protein produced by living cells that promotes a specific biochemical reaction by acting as a catalyst
"genes"	the basic unit of heredity capable of transmitting characteristics from one generation to the next. It consists of a specific sequence of DNA or RNA that occupies a fixed position (locus) on a chromosome
"gene silencing"	a general term describing epigenetic processes of gene regulation. The term gene silencing is generally used to describe the "switching off" of a gene by a mechanism other than genetic mutation, that is, a gene which would be expressed (turned on) under normal circumstances is switched off in the cell
"MHC"	a group of genes in mammals located next or near to one another that serve to make one organism distinguishable from those of other organisms
"protein"	a complex natural substance that has a high molecular weight and a globular or fibrous structure composed of amino acids linked by peptide bonds
"self"	in immunology, the set of organs and tissues that the body recognises as its own and does not attack with antibodies
"stem cell"	in animals are primal undifferentiated cells that retain the ability to produce an identical copy of themselves when they divide (clone) and differentiate into other cell types
"therapeutics"	the branch of medicine that deals with methods of treatment and healing, especially the use of drugs to treat diseases
"transplant rejection"	is when a transplant recipient's immune system attacks a transplanted organ or tissue

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Azure Holdings plc

(registered in England and Wales No. 3916791)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of the above named Company will be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW on 2 October 2006 at 10.00 a.m. for the purpose of considering and if thought fit passing the following resolutions as special resolutions.

1. (a) It is confirmed that the authorised and issued 0.9p deferred share capital is 417,988,790 deferred shares of 0.9p each.
(b) All allotments of deferred shares of 0.9p each in the capital of the Company, prior to the date hereof be ratified and approved.
2. (a) That each issued and unissued ordinary share of 1p each in the capital of the Company ("Ordinary Share") be and is hereby subdivided into one ordinary share of 0.1p ("Reconstruction Share") and one deferred share of 0.9p ("0.9p Deferred Share") such 0.9p Deferred Shares having the rights and being subject to the restrictions set out in the articles of association (the "Articles of Association") of the Company proposed for adoption in paragraph (i) of this resolution;
(b) Every two Reconstruction Shares arising from the sub-division referred to in sub-paragraph (a) of this resolution be and are hereby consolidated into one new ordinary share of 0.2p each ("New Ordinary Share"), but so that if as a result of the consolidation any member shall become entitled to any fraction of a New Ordinary Share, then such fractions shall be aggregated and sold in the market at the best price reasonably obtainable for the benefit of the Company.
(c) That the acquisition (the "Acquisition") by the Company of the entire issued share capital of ValiRx Limited ("ValiRx") pursuant to the conditional agreements dated 8 September 2006 made between the Company (1) and the shareholders of ValiRx (2), particulars of which are set out in the admission document dated 8 September 2006 (the "Admission Document"), be and is hereby approved and that the directors of the Company be and are hereby authorised to take all steps necessary to effect the Acquisition with such minor modifications, variations, amendments or revisions and to do or procure to be done such other things in connection with such acquisition as they consider to be in the best interests of the Company.
(d) That the waiver by the Panel on Takeovers and Mergers of any requirement which would otherwise arise by reason of the issue of the Consideration Shares, Deferred Consideration Shares, the ValiRx Option Shares and MCC Warrant Shares (as each term is defined in the Admission Document) (as a result of which the Concert Party (as defined in the Admission Document) will own in aggregate in excess of 74 per cent. of the then issued ordinary share capital of the Company) for the Concert Party to make a general offer under Rule 9 of the City Code on Takeovers and Mergers, be and is hereby approved.
(e) That the authorised ordinary share capital of the Company be increased by £4,400,000 to £5,000,000 by the creation of 2,200,000,000 New Ordinary Shares each in the capital of the Company.
(f) That in accordance with Section 80 of the Companies Act 1985 (the "Act"), the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount of the unissued share capital of the Company as at the date of the passing of this resolution provided that this authority, unless duly renewed, varied or revoked prior to its expiry date, shall expire on the date being fifteen months from the date of passing of this resolution, or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which will or might require relevant securities to be allotted after the authority expires and, in that event, the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for any authority conferred upon the directors of the Company in accordance with the

said section prior to the passing of this resolution, which authority (to the extent it remains in force and unexercised) is hereby revoked.

- (g) That pursuant to section 95(1) of the Act, the directors of the Company be and are hereby empowered to allot equity securities pursuant to the general authority conferred by paragraph (f) of this Resolution 2, as if section 89(1) of the Act did not apply to the allotment, provided that this power shall be limited to:
- (i) the allotment to certain vendors of shares in the capital of ValiRx of 637,500,000 New Ordinary Shares (being equity securities) as consideration for the sale of ValiRx as more fully described in the Admission Document;
 - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to certain vendors of shares in the capital of ValiRx of 150,000,000 New Ordinary Shares (being equity securities) as deferred consideration for the sale of ValiRx as more fully described in the Admission Document;
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) to the vendors of shares in the capital of Cronos Therapeutics Limited ("Cronos Shares") of 195,000,000 New Ordinary Shares (being equity securities) in consideration for the sale of 6,293 Cronos Shares as more fully described in the Admission Document;
 - (iv) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) to Berkeley Consultants Limited of 3,750,000 New Ordinary Shares (being equity securities) as part consideration for identifying ValiRx as a target for a reverse takeover as more fully described in the Admission Document;
 - (v) the allotment (otherwise than pursuant to paragraphs (i), (ii), (iii) and (iv) above) to Berkeley Consultants Limited of 26,555,741 New Ordinary Shares (being equity securities) pursuant to the exercise of an option as more fully described in the Admission Document;
 - (vi) the allotment (otherwise than pursuant to paragraphs (i), (ii), (iii), (iv) and (v) above, to WH Ireland Limited of 9,140,401 New Ordinary Shares (being equity securities) pursuant to the exercise of a warrant granted to WH Ireland Limited as more fully described in the Admission Document;
 - (vii) the allotment (otherwise than pursuant to paragraphs (i), (ii), (iii), (iv), (v) and (vi) above) to MCC Europe Limited of 13,710,602 New Ordinary Shares (being equity securities) pursuant to the exercise of a warrant granted to MCC Europe Limited as more fully described in the Admission Document;
 - (viii) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii), (iii), (iv), (v), (vi) and (vii) above) of 2,271,396 New Ordinary Shares (being equity securities) pursuant to the exercise of warrants granted under the Convertible Loan Stock Instrument 2005 (as defined in the Admission Document);
 - (ix) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) above) of 180,000,000 New Ordinary Shares (being equity securities) pursuant to the Convertible Loan Stock Instrument 2008 (as defined in the Admission Document);
 - (x) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) above) (as defined in section 94(2) of the Act up to a maximum amount of 20 per cent. of the issued ordinary share capital of the Company assuming the issue of all the shares in sub-paragraphs (i) to (ix) above) provided that this authority, unless duly renewed, varied or revoked prior to its expiry date, shall expire on the date being fifteen months from the date of passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which will or might require relevant securities to be allotted after the authority expires and, in that event, the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for any authority conferred upon the directors in accordance with the said

section prior to the passing of this resolution, which authority (to the extent it remains in force and unexercised) is hereby revoked.

- (h) That the name of the Company be changed to ValiRx plc.
- (i) That the Articles of Association, a copy of which is produced to the meeting and initialled for the purpose of identification by the Chairman, be adopted as the articles of association of the Company to the exclusion of and substitution for the existing articles of association.

Dated: 8 September 2006

By order of the Board

Bernard Sumner
Secretary

Registered Office:
One Great Cumberland Place
London
W1H 7AL

Notes:

1. Holders of ordinary shares in the capital of the Company ("Ordinary Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for each Ordinary Share held.
2. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not to be a holder of Ordinary Shares.
3. Completion and return of a form of proxy does not preclude a holder of Ordinary Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Ordinary Shares which, to be valid, must be completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. The City Code on Takeovers and Mergers requires that members shall vote on paragraph (d) of Resolution 2 on a poll, and accordingly Resolution 2 will be taken on a poll.

Azure Holdings plc

(registered in England and Wales No. 3916791)

NOTICE OF CLASS MEETING OF HOLDERS OF ORDINARY SHARES OF 1P EACH IN THE CAPITAL OF THE COMPANY

Notice is hereby given that a class meeting of the holders of all the ordinary shares of 1p (the "Ordinary Shares") in the capital of the above named Company will be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW on 2 October 2006 at 10.30 a.m. for the purpose of considering and if thought fit passing the following resolution which will be proposed as a special resolution.

1. Special Resolution

That in the event that the articles of association (the "Articles"), (a copy of which is produced to the meeting and initialled for the purpose of identification by the Chairman) are adopted as the articles of association of the Company at the extraordinary general meeting of the Company to be held on 2 October 2006 at 10.00 a.m. to the extent that the adoption of the Articles varies the rights of the holders of the Ordinary Shares under the existing articles of association, such variations be and are hereby approved.

Dated: 8 September 2006

By order of the Board

Bernard Sumner
Secretary

Registered Office:
One Great Cumberland Place
London
W1H 7AL

Notes:

1. Holders of ordinary shares in the capital of the Company ("Ordinary Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, each have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for each Ordinary Share held.
2. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not to be a holder of Ordinary Shares.
3. Completion and return of a form of proxy does not preclude a holder of Ordinary Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Ordinary Shares which, to be valid, must be completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Azure Holdings plc

(registered in England and Wales No. 3916791)

NOTICE OF CLASS MEETING OF HOLDERS OF DEFERRED SHARES OF 0.9P EACH IN THE CAPITAL OF THE COMPANY

Notice is hereby given that a class meeting of the holders of all the 0.9p deferred shares (the "Deferred Shares") in the capital of the above named Company will be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW on 2 October 2006 at 10.45 a.m. for the purpose of considering and if thought fit passing the following resolution which will be proposed as a special resolution.

1. Special Resolution

That in the event that the articles of association (the "Articles"), (a copy of which is produced to the meeting and initialled for the purpose of identification by the Chairman) are adopted as the articles of association of the Company at the extraordinary general meeting of the Company to be held on 2 October 2006 at 10.00 a.m. to the extent that the adoption of the Articles varies the rights of the holders of the Deferred Shares under the existing articles of association, such variations be and are hereby approved.

Dated: 8 September 2006

By order of the Board

Bernard Sumner
Secretary

Registered Office:
One Great Cumberland Place
London
W1H 7AL

Notes:

1. Holders of 0.9p deferred shares in the capital of the Company ("Deferred Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for each Deferred Share held.
2. A holder of Deferred Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not to be a holder of Deferred Shares.
3. Completion and return of a form of proxy does not preclude a holder of Deferred Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Deferred Shares which, to be valid, must be completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Azure Holdings plc

(registered in England and Wales No. 3916791)

NOTICE OF CLASS MEETING

OF HOLDERS OF DEFERRED SHARES OF 99P EACH IN THE CAPITAL OF THE COMPANY

Notice is hereby given that a class meeting of the holders of all the 99p deferred shares (the "Deferred Shares") in the capital of the above named Company will be held at Halliwells LLP, 1 Threadneedle Street, London EC2R 8AW on 2 October 2006 at 11.00 a.m. for the purpose of considering and if thought fit passing the following resolution which will be proposed as a special resolution.

1. Special Resolution

That in the event that the articles of association (the "Articles"), (a copy of which is produced to the meeting and initialled for the purpose of identification by the Chairman) are adopted as the articles of association of the Company at the extraordinary general meeting of the Company to be held on 2 October 2006 at 10.00 a.m. to the extent that the adoption of the Articles varies the rights of the holders of the Deferred Shares under the existing articles of association, such variations be and are hereby approved.

Dated: 8 September 2006

By order of the Board

Bernard Sumner
Secretary

Registered Office:
One Great Cumberland Place
London
W1H 7AL

Notes:

1. Holders of 99p deferred shares in the capital of the Company ("Deferred Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, each have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for each Deferred Share held.
2. A holder of Deferred Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not to be a holder of Deferred Shares.
3. Completion and return of a form of proxy does not preclude a holder of Deferred Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Deferred Shares which, to be valid, must be completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.



