

Creon Corporation plc

Placing of
2,000,000 Ordinary Shares and
Admission to trading on AIM by:

Noble & Company
LIMITED

This document is important. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Application has been made for the whole of the issued ordinary share capital of Creon Corporation plc (“the Company”) to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List. Further, neither the UK Listing Authority nor the London Stock Exchange have approved the contents of this document. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the Risk Factors set out in Part II of this document.

Creon Corporation plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5216336)

Placing of 2,000,000 Ordinary Shares of 1p each at 50p per share

and

Admission to trading on AIM by

Noble & Company
LIMITED

SHARE CAPITAL ISSUED AND OUTSTANDING ON ADMISSION

Authorised		Issued and fully paid	
£	Numbers of Ordinary Shares of 1p each	£	Number of Ordinary Shares of 1p each
500,000	50,000,000	61,250	6,125,000

The Directors of the Company, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Noble & Company Limited (“Nobles”), which is authorised and regulated by The Financial Services Authority, is acting exclusively for the Company as Nominated Adviser and Broker for the purpose of the AIM Rules in connection with the Placing and the Company’s Admission to AIM (“Admission”). Nobles will not be responsible to any person other than the Company for providing the protections afforded to customers of Nobles nor for advising any other person in connection with Admission and the contents of this document. No representation or warranty, express or implied, is made by Nobles as to any of the contents of this document, for which the Directors are solely responsible.

A copy of this document is available, free of charge, to the public at the offices of Noble & Company Limited, 120 Old Broad Street, London EC2N 1AR from the date of this document until Admission and for one month thereafter.

This document is not being issued, nor should it be relied upon, in connection with any issue or offer of securities in the Company.

The Ordinary Shares have not been, nor will be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America or Canada. The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. No document in relation to Admission has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance, in relation to the Admission of the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not be directly or indirectly offered or sold within the United States of America, Canada, Australia or Japan or offered or sold to a person within the United States of America or Canada or a resident of Australia or Japan.

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MARKET STATISTICS

Number of Ordinary Shares in issue on Admission	6,125,000
Market Price per Ordinary Share on Admission	50p
Market Capitalisation of the Company on Admission	3,062,500

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence in the Ordinary Shares	8.00 a.m. on 25 November 2004
CREST member accounts credited with Ordinary Shares (where applicable)	25 November 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors

Jonathan David Freeman (Executive Director)
James Henry Barder (Non-Executive Director)
both of:
120 Old Broad Street
London EC2N 1AR

The Manager

Creon Equity LLP
Broadbent House
64-65 Grosvenor Street
London W1K 3JH

Members of the Manager (“Partners”)

Jonathan Samuel Lavy
Roger Malcolm Holbeche

Company Secretary and Registered Office

Noble Partnership Limited
120 Old Broad Street
London EC2N 1AR

Nominated Adviser and Broker

Noble & Company Limited
120 Old Broad Street
London EC2N 1AR

Auditors, Reporting Accountants and Tax Advisers

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

**Solicitors to the Company and to the
Nominated Adviser and Broker**

Memery Crystal
44 Southampton Buildings
London WC2A 1AP

Registrars

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

KEY FEATURES

The following information should be read in conjunction with the full text of this document from which it is derived.

THE BUSINESS

- Creon will provide mezzanine finance to small and medium sized UK residential property developers
- The business will be underpinned by the experience of the Directors and the Partners who have had a wide-ranging involvement in this market and/or held various management positions of quoted companies
- The Company will target property developers with demonstrable track records seeking to finance developments of between £1 million and £5 million in an efficient and affordable way
- It is proposed that the mezzanine funding will normally be provided in amounts of between £250,000 and £750,000 for periods of approximately 12 -18 months
- The Directors will seek to spread the available funds across a wide range of developers

THE MANAGER

- The Manager, through the Partners, has extensive knowledge and experience of the residential property market and the funding of projects within it
- The Manager will seek opportunities for the Company from its own contacts and report them to the Board which will make the final decision on investment

TRADING AND FINANCIAL INFORMATION

- The Company was incorporated on 27 August 2004 and has not yet generated any revenue or made any investments
 - To date £493,000 (gross) has been raised by the Company through the issue of Ordinary Shares. In addition the Company has received subscriptions for Ordinary Shares for a total of £1,000,000 (gross) at a price of 50p per share. These subscriptions are conditional upon, and will be completed at the time of, Admission.
 - There is an option agreement for a further investment of £1.6 million (gross) after eight months from Admission
-

PART I – INFORMATION ON THE COMPANY

1. INTRODUCTION

- 1.1 Creon has been formed to provide mezzanine finance to residential property developers in the UK. Although it is a new company, its business will be based on the experience of the Directors, as well as that of the Partners, who have been directly involved in this market over the last ten years and more generally involved in the property sector for a longer period.
- 1.2 Creon will seek to help meet the equity requirement of such developers in a flexible and cost efficient way, targeting established residential property development companies with demonstrable track records. Creon will aim to offer them competitively priced finance for development projects that they may be unable to finance from their own resources. Creon will charge a fixed fee for providing finance for a defined period of time (expected to be in the range of 12 - 18 months) thereby giving a degree of certainty of income to Creon and certainty of cost to the developer.

2. STRATEGY

- 2.1 The Directors believe that the market for the provision of equity finance for small and medium sized residential developers is poorly served by existing sources, which are often expensive or of an informal and uncertain nature. Consequently, the Directors believe that an opportunity exists for Creon to provide mezzanine level finance to developers, providing an attractive level of return within an acceptable level of risk.
- 2.2 Creon intends to focus on unit values typically of between £150,000 and £350,000. At this level the Directors currently perceive the market risks to be significantly lower than for those for properties in a higher price range.
- 2.3 Creon's approach is to maximise the return on its funds, at the same time as minimising its exposure to uncontrollable risks. The preference, therefore, is to provide finance on projects that can be completed within 18 months from acquisition of the site and for the residential development to appeal to a large pool of potential purchasers. The Directors will also seek to spread the available funds across a range of developments.

3. OPERATIONS

- 3.1 Creon has entered into a consultancy agreement with Creon Equity LLP (the "Manager") which, it is intended, will provide the Directors with specialist advice regarding the provision of finance to developers. This agreement sets out the role of the Manager which is expected to:
- (i) identify, evaluate, negotiate and process suitable opportunities for Creon to provide mezzanine finance to small and medium sized residential property developers;
 - (ii) provide to Creon's Board sufficient information on suitable opportunities to enable the Directors to make an informed decision on whether or not Creon should proceed with a financing opportunity;
 - (iii) ensure provision of all necessary documentation to the Board in respect of each project;
 - (iv) manage the related transaction and report on the underlying property development so that Creon is repaid its equity, and paid its agreed fee, on time and in full; and
 - (v) provide to Creon, in a timely manner, appropriate accounting records in respect of each project undertaken.

The Manager will be entitled to an annual management fee of 3% of the aggregate of (i) the book value of funds invested by the Company and (ii) the amount of funds available for investment by the Company, whether held in cash or available for drawdown from lenders or investors at the end of each accounting reference period of the Company. The management fee is payable quarterly at the end of the first, second, third and fourth quarter of each annual accounting reference period, with appropriate adjustment being made after the publication of the Company's annual accounts. The Manager will also be entitled to a performance fee equal to 15% of the aggregate of the gross fees accrued to the Company during the relevant financial year, as reflected in the Company's annual accounts, less all costs incurred by the Company in connection with the entering into of contracts and agreements in relation to its business. The performance fee is payable on a half yearly basis, by reference to the Company's half yearly and annual accounts.

3.2 The Members of Creon Equity LLP are as follows:

Jonathan Samuel Lavy FCA (age 56)

Jonathan Lavy is a Chartered Accountant with more than 10 years experience in professional practice. He has subsequently been involved in the property industry as a principal over the last 22 years and has built up extensive experience of commercial property investment, debt and equity financing and residential property development. He has invested as principal and in conjunction with partners and been responsible for evaluating investments, related financial modelling, sensitivity and long term risk analysis and has project managed refurbishment and renovation projects. He has also been a provider of mezzanine finance to residential property developers.

Roger Malcolm Holbeche FRICS (age 59)

Roger Holbeche is a Chartered Surveyor and has been involved in residential and commercial property development since qualifying in 1964. He was co-founder, Chairman and Chief Executive of The Embassy Property Group plc, a USM listed company which was primarily involved in commercial property development and investment, construction and house building; Roger had specific responsibility for promotion and co-ordination strategy as well as for the development subsidiary and commercial development financing. He has subsequently been responsible for investing in and project-managing warehouse, office and residential development schemes in his private capacity, where he has had responsibility for negotiating the purchases of sites and the subsequent sales of the developments. He has also been a provider of mezzanine finance for residential developers.

4. BACKGROUND AND MARKET

4.1 The Directors and the Manager have become aware of how fragmented the market is for the small to medium sized developers (those who build in the region of up to approximately 150 units per year). The developer is often owner managed with a small team of full time staff and related overhead costs. This is necessary to attract and retain the level of management and expertise required to maintain a high level of quality developments. It is, however, often difficult to generate sufficient accumulated profits and cash to run an efficient operation and to finance enough new development projects while continuing to grow the company.

4.2 The sources of finance that such developers generally utilise are:

- accumulated equity;
- personal equity;
- bank debt; and
- third party investors - either directly or through a broker.

4.3 Creon intends to adopt a flexible approach in providing a professional, one-stop source of mezzanine finance to this market at a competitive price.

5. POTENTIAL INVESTMENTS

5.1 The Manager expects to identify suitable financing opportunities through the Partners' contacts both directly with developers as well as through property and finance brokers. The Directors will adhere to defined criteria in the evaluation of financing opportunities. Some of these criteria can be summarised as follows:

- developers will have a demonstrable track record in the type of project for which they are seeking finance;
- they will already have access to debt finance;
- Creon will be able to obtain security by way of a second charge on the property or be provided with other suitable security;
- the mezzanine finance required will generally be in the range of £250,000 - £750,000;
- the finance term will generally be in the range of 12 - 18 months;
- the profitability of the development project will be of an acceptable level; and
- Creon will rank after the bank but before the developer for repayment of the finance provided.

5.2 The Manager will identify projects for investment and report to the Board. The Directors will decide to proceed by reference to:

- a due diligence report on the developer covering, inter alia, its track record and reliability;
- due diligence on the project, including independent estate agents' advice on selling prices, the existence of satisfactory planning permission, environmental and ground investigations where required;

- documents produced and verified by Creon's solicitors including:
 - Facility Agreement
 - Mortgage Agreement
 - Deed of Priority (with lending bank)
 - Any other security agreement that may be required;
- the development being within a range of £1 million to £5 million;
- the level of finance required in relation to Creon's overall portfolio and available funds;
- the projected return to Creon; and
- the level of project risk.

- 5.3 Creon will provide finance either as a single drawdown at the beginning of a development (often to enable purchase of the site), as a series of interim drawdowns during the course of development, or as a combination of the two. The Directors will agree a fixed fee with the developer at the outset which will therefore not be dependent on the level of the developer's ultimate profit. The fee might also include an additional element based on the profitability of the project exceeding an agreed threshold.
- 5.4 This approach is designed to provide Creon and the developer with a high degree of certainty. It also means that the developer generally does not share his profit above the agreed fixed fee and consequently retains an incentive to maximise his profit.
- 5.5 The Manager will be responsible for supervising the progress of developments funded by Creon. It will deal with security being put in place at the beginning of a project, provide regular progress reports to the Board and report further to the Directors if Creon's exposure to risk changes materially during the course of a development.
- 5.6 Pending the identification of suitable financing opportunities, it is intended that cash will be invested in short term instruments, including bank and treasury deposits.

6. CURRENT TRADING AND PROSPECTS

- 6.1 The Company has not yet commenced trading and has not made any investments.
- 6.2 At this early stage it is not possible to evaluate the Company's prospects in a meaningful way, particularly as this will be dependent upon, amongst other things, the quality of the investment opportunities which are presented to the Company.

7. CORPORATE GOVERNANCE

- 7.1 The Directors intend to implement procedures to ensure that the Company complies with current UK corporate governance requirements, as set out in the Combined Code (as revised pursuant to the Higgs Report), to the extent to which the Directors consider these to be appropriate for a company of its size and taking into account its intention to conserve cash for investments. It is intended that, as the Company grows, corporate governance procedures will be further developed.
- 7.2 The Board intends to appoint another director to the Board shortly after Admission and additional executive or non-executive directors, subject to such appointments being approved by Shareholders at the next Annual General Meeting following such appointments. The policy of the Board, in the short term, is to maintain the Company's ongoing costs at a low level and the number of Directors is likely to remain low for the time being.
- 7.3 The Company has not yet established separate remuneration and audit committees, as it is intended that, initially, all decisions will be taken by the Board. The Board currently comprises one executive director and one non-executive director.

8. BOARD OF DIRECTORS

- 8.1 On Admission, the Board will comprise two directors, whose backgrounds are summarised below.

Jonathan David Freeman BA (Hons) MBA (aged 39)

Executive Director

Mr Freeman graduated with a degree in Business Studies from Stirling University in 1988 and gained an MBA from Warwick University in 1993. From 1988 until 1993 he was a contract manager for a property refurbishment company, becoming a director in 1991. Since 1993 Jonathan has worked in the field of corporate finance in the EU, including 4 years working on the creation and launch of the pan-European stock market, EASDAQ, which was subsequently taken over by NASDAQ. In 1997 Jonathan joined the corporate finance department of Beeson Gregory Limited and

was appointed as a director in 1998. He joined Gambit Corporate Finance as a partner in 2002 where he continued to provide corporate finance advisory services and which he left in October 2003. Mr Freeman is currently a non-executive director of Cobra Capital Limited and Equity Special Situations Limited, both of which are strategic investment companies quoted on AIM, and Futura Medical Plc, a healthcare company quoted on AIM and where he is the senior independent director. Mr Freeman has acted as the lead adviser in a wide variety of transactions for both private and public companies in the EU and US. This has included raising funds, mergers, acquisitions and disposals and corporate re-structuring.

James Henry Barder (aged 44)

Non-Executive Director

Since 1977 Mr Barder has predominantly worked in the field of insurance and finance with a number of firms including Lyon de Falbe International, JSB International (a firm he founded himself), Seascope Reinsurance Brokers and Lochain Patrick Insurance Brokers (which he co-owned). In 1989 he set up a joint venture reinsurance firm with Seascope Reinsurance Brokers called Seascope Special Risks Limited. In 1995 he was instrumental in setting up and was Managing Director of a new investment banking division with Aon Corporation called Aon Capital Markets Limited prior to his resignation in June 2001. Mr Barder is currently Chief Executive of Futura Medical plc, a healthcare company quoted on AIM. He is also a director of Lorega Claims and Underwriting Ltd, an insurance claims and loss adjusting service company.

- 8.2 The Company intends to appoint another director to the Board shortly after Admission with experience in property investment and finance.

9. SUBSCRIPTION AGREEMENT

- 9.1 By a Subscription Agreement dated 10 November 2004 between the Company and Lynwood Group Limited (“Lynwood”) Lynwood has agreed to procure the subscription at Admission by third party investors of £1.0 million (before commission and expenses) for 2,000,000 new Ordinary Shares at a price of 50 pence a share, failing which itself to subscribe for such shares at such price. Lynwood will be paid a cash commission of £48,000 by the Company on Admission.
- 9.2 Further details of this agreement are set out in paragraph 7.2 of Part IV of this document

10. OPTION AGREEMENT

- 10.1 Under an option agreement dated 10 November 2004 between the Company and Forestdale Trading Limited (“Forestdale”), the Company will be entitled to exercise a call option and Forestdale will be entitled to exercise a put option, whereby, on exercise Forestdale will be required to procure the subscription by third party investors of £1.6 million for new Ordinary Shares during the one month period occurring eight months after Admission, failing which itself to subscribe for such shares. The subscription price will be equal to 90% of the average middle market quotations of the Ordinary Shares for the 5 dealing days prior to the relevant exercise date as shown by the Stock Exchange Alternative Trading Service of the London Stock Exchange, subject to a minimum of the nominal value of such Option Shares.
- 10.2 No security or guarantees have been given in respect of the Option and, accordingly, the Company’s working capital and cash flow projections assume that such option will not be exercised.
- 10.3 Further details of this agreement are set out in paragraph 7.3 of Part IV of this document.

11. LOCK-IN ARRANGEMENTS

The Directors, the Partners and the founding Shareholders who on the 19 November 2004 own any issued share capital of the Company have entered into lock-in arrangements with the Company and Nobles under which they have agreed not to dispose of their Ordinary Shares for a period of 12 months following Admission, subject to certain limited exceptions and with the consent of the Company and Nobles, and for the period from the date 12 months from admission to the date 24 months from Admission only to dispose of their Ordinary Shares in consultation with Nobles (or Company’s broker from time to time) to ensure an orderly market.

12. REASONS FOR ADMISSION TO AIM

The Directors believe that the admission of the Ordinary Shares to trading on AIM will help to raise the profile of the Company in order to assist the creation of a quality deal flow and to facilitate negotiations with property developers. In addition, Admission may facilitate the raising of further funds in the future in order to continue the financing strategies of the Company.

The Directors are authorised to issue and allot up to a further 4,000,000 Ordinary Shares (in addition to those used to satisfy the Warrants and the options granted under the Option Agreement) for cash without regard to statutory or pre-emption rights. This authority to allot and issue shares may be used for future placings.

13. RISK FACTORS

Certain risk factors relating to the Company and its business are set out in Part II of this document.

14. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 13 of Part IV of this document. Any person who is in doubt as to his personal tax position should contact his professional tax adviser before making any decision to subscribe for or purchase Ordinary Shares.

15. DIVIDEND POLICY

The Company has not paid any dividends and the Board anticipates that earnings, if any, will not be distributed for the foreseeable future as dividends but will instead be retained for the development of the Company's business. The payment by the Company of any future dividends, and the amount of any dividends, will depend upon the success of the Company's operations, working capital requirements, profits available for distribution and other factors deemed by the Board to be relevant at that time.

16. REPORTING

As a minimum, and in accordance with the reporting requirements of AIM, Shareholders will be sent an unaudited half-yearly interim report and an audited annual report and accounts.

17. DURATION OF THE COMPANY AND RETURN OF CAPITAL TO SHAREHOLDERS

The Directors intend that if the Company has not made an investment within 12 months from Admission, they will convene an extraordinary general meeting at which proposals will be put to Shareholders to consider the future of the Company, including whether or not to return the Company's capital to Shareholders.

18. SETTLEMENT AND DEALING

Application will be made to the London Stock Exchange for the admission of the entire issued share capital of the Company to trading on AIM. It is expected that Admission will take place, and that dealings will commence, on 25 November 2004.

19. CREST

19.1 CREST is a computerised paperless share transfer and settlement system, which allows shares and other securities to be held in electronic rather than paper form. The Company has applied for its shares to be admitted to CREST with effect from Admission.

19.2 CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so. Any Shareholder wishing to hold their stock through CREST can dematerialise from a certificated holding to a CREST holding by lodging their share certificate and a CREST transfer form with their stockbroker or other CREST member.

20. FURTHER INFORMATION

Your attention is drawn to the additional information in Parts II to IV of this document.

PART II – RISK FACTORS

Prospective investors should be aware that an investment in the Company involves a high degree of risk. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities before making their decision to invest in the Company. In addition to the other information contained in this document, the following risk factors affecting the Company should be considered carefully in evaluating whether to make an investment in the Company.

It should be noted that this list is not exhaustive but it is intended to be of the principal risk factors the Directors believe to be associated with the Company and that other risk factors may apply. In particular, the Company's performance is likely to be affected by changes in the market and/or economic conditions and in legal, accounting, regulatory and tax requirements.

1. Limited Trading History

The Company was only incorporated on 27 August 2004 and, as at the date of Admission, has not traded. The Company therefore has no operating history or trading record. Potential investors should consider the Company's prospects in the light of the risks associated with companies in their early inception stage.

2. Prospective Investments

2.1 The value of an investment in the Company is dependent upon the profits generated from the provision of finance to third party residential property developers. There can be no guarantee that suitable property development companies with suitable residential developments will be available for investment or that the Company will successfully identify and invest in such businesses. Once an investment has been made it will not be realisable until the related development is sold to third parties.

2.2 It is the intention of the Directors that the Company will, over time, provide finance for a number of different property developments in order to create a portfolio of investments, thereby diversifying risk. However, during the Company's initial development stage, there will be a period of time during which no investments have been made and a further period of time when the number made will be small. In this situation the impact upon the value of the Company and Ordinary Shares of any volatility in the profitability of the developments is likely to be high. It is the intention of the Directors that, other than the initial holding of funds in cash, the Company will not use 100 per cent of its assets in any one investment.

3. Borrowing by the Company

The Company may take on a debt facility which would allow it to borrow additional funds. The effect of such borrowings, if the facility is created and used, will be to increase the gearing of the portfolio. This will have the effect of enhancing growth in respect of financings which are profitable but accentuating the loss in respect of financings that are loss making. In addition, the use of such debt facility will result in a requirement to pay interest costs on the amount borrowed and to repay the amount borrowed whether or not the financings made using the debt facility are profitable. The use of the debt facility would increase the operational risks of the Company.

4. Dependence on the Directors, the Manager and the Partners

The Company's performance is dependent on its current and future Directors, the Manager, the Partners and the management teams of the property development companies in which the Company will invest. The Company will pursue a policy of keeping its operating costs at a low level, and, as a part of that policy, will have a very limited number of Directors and employees. The loss of any of its Directors or employees (if there are any) could, therefore, significantly reduce the Company's ability to make successful investments or manage the Company and its investments effectively. In addition, the loss of any of the Partners from the Manager could also significantly reduce the Company's ability to make successful investments. Similarly, the management teams of companies in which investments are made could change and so reduce the performance of that company.

5. Further Equity Issues

5.1 The Company has entered into the Option Agreement pursuant to which the Directors expect to be able to raise additional funds for the Company. In addition, it is likely that the Company may in the future seek to raise further

equity funds through the issue of additional Ordinary Shares. Any equity fund raising (including the subscription for Ordinary Shares under the Option Agreement) will have a dilutive effect on existing shareholdings.

- 5.2 No security or guarantees have been received by the Company in respect of the obligations of Forestdale Trading Limited in respect of the Option Agreement. Accordingly, the Company's working capital and cash flow projections assume that no amounts will be raised under the Option Agreement.
- 5.3 The Directors have been granted the authority to issue and allot new shares for cash without regard to statutory or other pre-emption rights over 4,000,000 authorised but unissued Ordinary Shares of the Company.

6. Trading on AIM and Liquidity

- 6.1 The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company. It may be the case that the market price of the Company's shares does not fully reflect the underlying net asset value of the Company.
- 6.2 Although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. An investment in Ordinary Shares may therefore be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case.
- 6.3 The Ordinary Shares will be quoted on AIM rather than on the Official List of the London Stock Exchange. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. 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 not recover their original investment.

7. Control of the Company

- 7.1 Under the Subscription Agreement, Lynwood Group Limited has agreed to procure other third party subscribers for 2,000,000 Ordinary Shares conditional on Admission, representing approximately 32.7 per cent of the issued share capital of the Company on Admission, failing which itself to subscribe for such shares. Neither Lynwood, nor any investors procured by it, are connected with the Directors of the Company but they may still exercise significant influence over the Company, including with respect to any action requiring shareholder approval, the appointment and removal of Directors and the dis-application of pre-emption rights.
 - 7.2 Forestdale Trading Limited has granted the Company an option pursuant to which it may be required to procure the subscription by third party investors of £1.6 million for Ordinary Shares, eight months after Admission, failing which itself to subscribe for such shares. If Forestdale subscribes for all the Option Shares, then it will have invested 51.7 per cent of the total funds raised by the Company immediately after completion of the Option Agreement. In this situation Forestdale is likely to be able to exercise significant influence over the Company, including with respect to any action requiring shareholder approval, the appointment and removal of Directors and the dis-application of pre-emption rights.
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PART III – ACCOUNTANTS’ REPORT ON CREON CORPORATION PLC



BDO Stoy Hayward
Chartered Accountants
BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Creon Corporation plc
120 Old Broad Street
London EC2N 1AR

19 November 2004

The Directors
Noble & Company Limited
120 Old Broad Street
London
EC2N 1AR

Dear Sirs

CREON CORPORATION PLC (“CREON” OR THE “COMPANY”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 19 November 2004 of Creon (“the Admission Document”).

The Company was incorporated on 27 August 2004. Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. No financial statements have been drawn up.

Basis of preparation

The financial information set out below is based on the balance sheet of the Company as at 10 November 2004 (“the Balance Sheet”) to which no adjustments were considered necessary.

Responsibility

The Balance Sheet is the responsibility of the Directors and has been approved by them.

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

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Balance Sheet underlying 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION
Balance sheet as at 10 November 2004

	As at 10 November 2004 £000
Current assets	
Cash at bank	493
Net assets	493
Share capital and reserves	
Called up share capital	41
Share premium account	448
Shareholders' funds – equity	493

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Share capital

	As at 10 November 2004 £000
Authorised	
50,000,000 ordinary shares of 1p each	500
Allotted, called up and fully paid	
4,125,000 ordinary shares of 1p each	41

The Company was incorporated with authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two ordinary shares of £1 each were issued.

On 22 October 2004, each issued and unissued ordinary share of £1 was sub-divided into 100 ordinary shares of 1p each and the authorised share capital of the Company was increased from £50,000 to £500,000 by the creation of 45,000,000 ordinary shares of 1p each ("Ordinary Shares").

On 25 October 2004, the Company issued 799,800 Ordinary Shares at a price of 1p per share.

On 3 November 2004, the Company issued 2,125,000 Ordinary Shares at a price of 4p per share.

On 10 November 2004, the Company issued 1,200,000 Ordinary Shares at a price of 33.33p per share.

On 25 October 2004, the Company created and issued 600,000 warrants.

On Admission, the Company will issue 2,000,000 Ordinary Shares at a price of 50p per share.

Movement in shareholders' funds

There was no movement in shareholders' funds save for the issue of the equity share capital noted above

Yours faithfully

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
 Chartered Accountants

PART IV – ADDITIONAL INFORMATION

1. Incorporation and Status of the Company

- 1.1 The Company was incorporated and registered in England and Wales on 27 August 2004 as a public limited company with the name Creon Corporation plc and with registered number 5216336. The Company's registered office is located at 120 Old Broad Street, London, EC2N 1AR.
- 1.2 The liability of the members of the Company is limited.
- 1.3 The Company has no subsidiaries.

2. Share capital of the Company

- 2.1 The authorised and issued share capital of the Company as at the date of Admission is as follows:-

Authorised Share Capital			Issued and Fully Paid Up Share Capital on Admission	
£	Number		£	Number
500,000	50,000,000	Ordinary Shares	61,250	6,125,000

- 2.2 The Company was incorporated with an authorised share capital of £50,000, divided into 50,000 Ordinary Shares of £1 each, of which two shares were issued to the subscribers to the Memorandum of Association of the Company. On 22 October 2004 one subscriber share was transferred to Jonathan Lavy and one to Roger Holbeche.
- 2.3 At an extraordinary general meeting of the shareholders of the Company held on 22 October 2004, the following resolutions were passed:
- an Ordinary Resolution that each issued and unissued ordinary share of £1 be sub-divided into 100 Ordinary Shares of 1p each;
 - an Ordinary Resolution that the authorised share capital of the Company be increased from £50,000 to £500,000 by the creation of 45,000,000 new Ordinary Shares;
 - an Ordinary Resolution that the Directors be authorised under section 80 of the Act to issue and allot the whole of the authorised but unissued share capital of the Company as enlarged by resolution (b) above;
 - a Special Resolution that the Directors be authorised to allot equity securities for cash pursuant to the authority referred to in paragraph (c) above as if section 89 (1) of the Act did not apply to any such allotment, such authority being limited to: (i) the issue of 6,124,998 new Ordinary Shares on or prior to Admission; (ii) the issue of up to 600,000 new Ordinary Shares pursuant to the Warrants (referred to in paragraph 8.3 below); (iii) the issue of up to 5,000,000 new Ordinary Shares pursuant to the Option Agreement (referred to in paragraph 7.3 below); and (iv) the issue of up to a further 4,000,000 new Ordinary Shares; and
 - a Special Resolution that the Company adopt new Articles of Association.
- 2.4 On 25 October 2004, the Company issued 799,800 Ordinary Shares for cash at par. The issue price reflected the fact that the subscription monies were on risk funds used to underwrite the incorporation and start-up costs of the Company. At the same time, the Company issued the Warrants referred to in paragraph 8 below.
- 2.5 On 3 November 2004, the Company issued 2,125,000 Ordinary Shares for cash at a price of 4 pence per share. The issue price reflected the fact that the subscription monies were on risk funds used to underwrite the abort fees which would be payable by the Company in the event that the Admission did not take place.
- 2.6 On 10 November 2004, the Company issued 1,200,000 Ordinary Shares for cash at a price of 33.33 pence per share. The issue price reflected the fact that these funds were invested after the Company had entered into the Management Agreement (referred to in paragraph 7.4 below).
- 2.7 Conditional upon Admission, the Company will issue 2,000,000 new Ordinary Shares for cash at a price of 50 pence per share to third party investors procured by Lynwood under the Subscription Agreement (or else to Lynwood itself). The new Ordinary Shares to be issued pursuant to the Subscription Agreement on Admission will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid by the Company.
- 2.8 Save pursuant to the Subscription Agreement, the Option Agreement or Warrant Instrument, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.

3. Memorandum and Articles of Association

- 3.1 The Memorandum of Association of the Company provides that its principal object is to carry on the business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.
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3.2 The Articles include provisions to the following effect:-

(a) Voting of class rights and changes of capital

- (i) The special rights attached to any class of shares may, subject to any applicable law, be altered or abrogated in such manner (if any) 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 three fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class.
- (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, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount.
- (iii) The Company may by special resolution reduce its authorised or issued share capital or any capital redemption reserve and any share premium account in any way subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

(b) Class Meetings

The provisions of the Articles to general meetings apply mutatis mutandis to every such meeting but the necessary quorum is two persons holding or representing by proxy not less than one third of the issued shares of that class except where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.

(c) Votes of members

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to attend or vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the Directors determine otherwise, if any calls from him have not been paid.

(d) Directors

- (i) A director is not required to hold any qualification shares.
 - (ii) The amount of any fees payable to Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £100,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all reasonable expenses properly incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.
 - (iii) The Directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any other company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary of any such other company ("associated companies") and the families and dependants of any such persons and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers, employees or auditors of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.
 - (iv) The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period as they may determine.
 - (v) Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:-
 - (1) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (2) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
-

- (3) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors may arrange;
 - (4) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit; and
 - (5) save as specifically provided in the Articles, may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (vi) Subject to applicable law, a director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:-
- (1) the giving of any guarantee, security or indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
 - (2) the giving of any guarantee, security 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 under a guarantee or indemnity or by the giving of security;
 - (3) any contract, transaction, arrangement or 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 is to be interested as a participant in the underwriting thereof;
 - (4) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;
 - (5) any contract or arrangement in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise, provided that he does not hold an interest (as defined in sections 198-211 of the Act) in one per cent. or more of the issued shares of any such body corporate;
 - (6) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its subsidiaries;
 - (7) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner to the employees; and
 - (8) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.
- (vii) Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (v) and (vi) above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.
- (e) Transfer of shares
- All transfers of shares may be effected by transfer in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee. The Directors may refuse to register any transfer of a share which is not fully paid or over which the Company has a lien. The Articles do not contain any restriction on the transferability of fully paid shares, provided that the Company has no lien over the shares, the instrument of transfer is in favour of not more than four joint transferees and in respect of only one class of shares and is duly stamped (if so required).
- (f) Dividends and distribution of assets on liquidation
- The holders of shares are entitled *pari passu* amongst themselves, but in proportion to the numbers of shares held by them and to the amounts paid up or credited as paid up, to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company save where there is a scrip dividend and the Directors determine the basis of allotment of the shares.
- (g) Unclaimed dividends
- Any dividend unclaimed after a period of 12 years from the date of its declaration shall be forfeited and shall revert to the Company.
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(h) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to applicable law, to issue debentures and other securities.

4. Directors' and other Interests

4.1 The interests of the Directors and the persons connected with them all of which are beneficial (which have been notified to the Company pursuant to the Company's Articles of Association) in the issued share capital of the Company as at the date of this document and as expected to be immediately following Admission are as follows:-

Name	Number of Ordinary Shares	% of issued Ordinary Share capital	Options
Jonathan Freeman	Nil	Nil	Nil
James Barder	Nil	Nil	Nil

4.2 Save as disclosed in paragraph 4.1 above and this paragraph 4.2, the Directors are not aware of any interest in the Company's ordinary share capital which, immediately following Admission, would amount to 3 per cent or more of the Company's issued ordinary share capital.

Name	Number of Ordinary Shares	% of issued Ordinary Share capital
Cobra Capital Limited	1,000,000	16.3%
Equity Special Situations Limited	1,000,000	16.3%
Famco Holdings Limited	612,500	10.0%
Pinnacle Limited	612,500	10.0%
Alderwood Management Limited	500,000	8.2%
Lynwood Group Limited	300,000	4.9%
Forestdale Trading Limited	200,000	3.3%
Boris Bayer	200,000	3.3%
Jonathan Lavy	200,000	3.3%
Roger Holbeche	200,000	3.3%

4.3 Save as disclosed in paragraph 4.1 above, neither of the Directors has any interest in the share capital or loan capital of the Company, nor does any person connected with the Directors have any such interest, whether beneficial or non-beneficial.

4.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

4.5 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current financial year and which remains in any respect outstanding or unperformed.

4.6 Save as disclosed in this paragraph 4, no Director or person connected with them has any related financial product referenced to the Ordinary Shares.

5. Directors' Service Agreements and Letters of Appointment

5.1 On 22 October 2004, Combined Management Services Limited ("CMS") entered into two separate consultancy agreements with the Company, the terms of which are as follows:

- pursuant to the first agreement, CMS has agreed to provide the Company with the services of Jonathan Freeman as an executive director of the Company for a fee of £20,000 per annum. The agreement is terminable by 3 months' notice on either side; and
- pursuant to the second agreement, CMS has agreed to provide the Company with the services of Jonathan Freeman to perform various administrative and support services to the Company for a fee of £20,000 per annum. The agreement is terminable by 3 months' notice on either side.

Jonathan Freeman owns 50% and is a director of CMS.

- 5.2 On 22 October 2004, James Barder entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company for a fee of £12,000 per annum. The appointment is terminable by three months' notice on either side and it has been acknowledged that the level of fee payable to Mr Barder will be increased if the Company raises significant additional funds in the future.
- 5.3 Save as disclosed in this paragraph 5, there are no service contracts, consultancy agreements or letters of appointment, existing or proposed, between either Director and the Company.
- 5.4 It is estimated that, under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 31st January 2006 will be approximately £65,000.

6. Additional Information on the Board

- 6.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:-

Jonathan Freeman

Current Directorships/Partnerships

Cobra Capital Limited, Combined Management Services Limited, Dendemite Limited, Equity Special Situations Limited, Futura Medical Plc, Futura Medical Developments Limited, Movision 39 Film Partnership, Movision 81 Film Partnership.

Past Directorships/Partnerships

Beeson Gregory Limited, Gambit Corporate Finance, Gambit Venture Capital Limited.

James Barder

Current Directorships/Partnerships

Futura Medical plc, Futura Medical Developments Limited, Naylands Dibble Limited, Lorega Claims and Underwriting Services Limited.

Past Directorships/Partnerships

Aon Capital Markets Limited.

- 6.2 Save as disclosed above, neither of the Directors has:-
- (a) any unspent convictions in relation to indictable offences;
 - (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
 - (c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - (d) 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;
 - (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date immediately preceding the date of this document and are, or may be, material:-

- 7.1 A Nominated Adviser and Broker Agreement dated 15 September 2004 between the Company (1) and Nobles (2) pursuant to which the Company has appointed Nobles to act as Nominated Adviser and Broker to the Company for the purposes of AIM. The Company has agreed to pay Nobles a retainer of £60,000 for Admission of the Company

to AIM and a retainer at the rate of £22,500 per annum, payable in half-yearly instalments in advance, the first said payment to be made on Admission. The Company will also reimburse reasonable expenses incurred by Nobles. The agreement contains certain representations, warranties, undertakings and indemnities given by the Company and the Directors in respect of, inter alia, compliance with all applicable laws and regulations. The agreement continues for a fixed period of 3 months from the date of the agreement and thereafter is subject to termination on the giving of one month's notice by either party.

- 7.2 A Subscription Agreement dated 10 November 2004 between Lynwood Group Limited (1) and the Company (2) pursuant to which Lynwood has agreed to procure the subscription by third party investors of £1.0 million for 2,000,000 Ordinary Shares at a price of 50 pence per share at Admission failing which it will itself subscribe for such shares at such price. The Company will pay Lynwood a commission of £48,000 in cash on Admission in relation to the Subscription Agreement.
- 7.3 An Option Agreement dated 10 November 2004 between Forestdale Trading Limited (1) and the Company (2), pursuant to which the Company will be entitled to exercise a call option and Forestdale will be entitled to exercise a put option, pursuant to which Forestdale will be required or entitled (as appropriate) to procure the subscription by third party investors of £1.6 million for new Ordinary Shares during the one month period following eight months after Admission, failing which it will itself subscribe for such shares. The exercise price of the Ordinary Shares pursuant to the Option will be equal to 90% of the average middle market quotations of the Ordinary Shares for the 5 dealing days prior to the relevant Exercise Date as shown by the Stock Exchange Alternative Trading Service of the London Stock Exchange, subject to a minimum of the nominal value of such Ordinary Shares. The Company will pay Forestdale a fee equal to 10 per cent. of the amount subscribed pursuant to subscription and the fee shall be used by Forestdale as payment up of new Ordinary Shares of the Company at the price per share paid for the option shares.
- 7.4 A Management Agreement dated 10 November 2004 between the Manager (1) and the Company (2) pursuant to which the Company has engaged the Manager to provide certain services relating to the identification, evaluation, negotiating and processing of suitable opportunities for the Company to provide finance to residential property developers together with the supervising of progress of those projects it introduces that are then funded by the Company. The Manager is not obliged to manage third party introduced deals. Whilst not working on a full-time basis in relation to this Agreement, Jonathan Lavy and Roger Holbeche are identified as keymen in this Agreement.

The Manager will be entitled to an annual management fee of 3% of the aggregate of (i) the book value of funds invested by the Company and (ii) the amount of funds available for investment by the Company whether held in cash or available for drawdown from lenders or investors at the end of each accounting reference period of the Company. The management fee is payable quarterly at the end of the first, second, third and fourth quarter of each annual accounting reference period with appropriate adjustment being made after the publication of the Company's annual accounts. The Manager will also be entitled to a performance fee equal to 15% of the aggregate of the gross fees accrued to the Company during the relevant financial year as reflected in the Company's annual accounts less all costs incurred by the Company in connection with the entering into of contracts and agreements in relation to its business. The performance fee is payable on a half yearly basis, by reference to the half yearly and annual accounts.

The Agreement continues in force for a period of three years and thereafter until terminated by either party giving to the other not less than one year's written notice. The Manager and the Partners may provide similar services to third parties. The Manager may not subcontract its services.

- 7.5 The Directors, the Partners and the founding Shareholders who on the 19 November 2004 own any issued share capital of the Company have entered into lock-in arrangements with the Company and Nobles, under which they have agreed not to dispose of their Ordinary Shares for a period of 12 months following Admission, subject to certain limited exceptions and with the consent of the Company and Nobles, and for the period from the date 12 months from admission to the date 24 months from admission only to dispose of their Ordinary Shares in consultation with Nobles (or the Company's broker from time to time) to ensure an orderly market.

8. Warrant Instrument

- 8.1 Pursuant to an instrument dated 25 October 2004, the Company created 600,000 Warrants to subscribe for Ordinary Shares at the relevant subscription prices set out in the Warrant Instrument.
- 8.2 The principal terms of the Warrant Instrument are as follows:
- (a) each Warrant shall entitle the holder thereof to subscribe for one new Ordinary Share;
 - (b) 200,000 Warrants shall vest on the date 12 months from Admission and shall entitle the holders to subscribe for Ordinary Shares at 60 pence per Ordinary Share;
 - (c) 200,000 Warrants shall vest on the date 24 months from Admission and shall entitle the holders to subscribe for Ordinary Shares at 70 pence per Ordinary Share;
-

- (d) 200,000 Warrants shall vest on the date 36 months from Admission and shall entitle the holders to subscribe for Ordinary Shares at 80 pence per Ordinary Share;
- (e) the final exercise date for all Warrants shall be the date 48 months from Admission;
- (f) Ordinary Shares issued on the exercise of the Warrants will rank for dividends or other distributions declared, made or paid after the date of exercise, but not before such date and otherwise pari passu in all respects with the Ordinary Shares in issue on the date of such exercise;
- (g) the Warrant Instrument contains provisions for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the Warrants and the subscription price upon a capitalisation of reserves, a rights issue or a sub-division or consolidation of share capital;
- (h) the rights or privileges of the holders of the Warrants may be altered or abrogated with the sanction of an extraordinary resolution of the Warrant holders;
- (i) the Warrants, which will be registered, will be non transferable except by a corporate entity to its holding company, any of its subsidiaries or any subsidiary of such holding company;
- (j) so long as any of the subscription rights under the Warrants remain exercisable, the Company shall not:
 - (i) issue any securities by way of capitalisation of reserves or profits other than Ordinary Shares credited as fully paid up;
 - (ii) issue or create a new class of shares which, as regards voting, dividends or capital, has more favourable rights than those attached to the Ordinary Shares;
 - (iii) modify the rights attaching to the Ordinary Shares;
- (iv) issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would, on any subsequent exercise of the Warrants, be entitled to issue Ordinary Shares at a discount to nominal value; or
- (v) reduce its share capital or (except as authorised under the Act) any share premium account or capital redemption reserve fund.
- (k) if a takeover offer is made available to all holders of Ordinary Shares, the Company shall, so far as it is able, procure a comparable offer for the Warrant holders.

8.3 On 25 October 2004, the Company issued and allotted 300,000 Warrants to each of Roger Holbeche and Jonathan Lavy. In relation to each holding, 100,000 Warrants shall be exercisable on the date 12 months from Admission, 100,000 shall be exercisable on the date 24 months from Admission and 100,000 Warrants shall be exercisable on the date 36 months from Admission.

9. Transactions with a Related Party

Jonathan Freeman is a Director and owns 50 per cent. of the ordinary shares of Combined Management Services Limited. The consultancy agreements referred to in paragraph 5.1 of this Part IV between the Company and Combined Management Services Limited are therefore both transactions with a related party under the AIM Rules. In addition Jonathan Freeman will be paid a fee of £50,000 on Admission for work relating to the creation and incorporation of the Company and the development of its strategy.

10. Litigation

The Company is not involved in any legal or arbitration proceedings which may have or have had since incorporation a significant effect on the Company's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

11. Working capital

The Directors are of the opinion, having made due and careful enquiry, that following Admission, the Company will have sufficient working capital for its present requirements, that is for at least the next 12 months.

12. Premises

The Company has its registered offices at 120 Old Broad Street, London, EC2N 1AR, where it has access to office space as required. In order to keep costs to a minimum it is intended that no permanent office space will be leased or purchased by the Company for the foreseeable future.

13. Taxation

Set out below is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his or her tax position should consult his or her professional adviser.

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Ordinary Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

Capital Gains Tax ("CGT")

Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is usually treated on a last in, first out basis for the purposes of calculating gains that are chargeable to tax.

Taper relief

On 5 April 1998, "taper relief" was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of relief is enhanced for those assets that qualify as "business" assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

During the period for which the shares are held the classification may change so that for part of the holding period, shares in the Company will be deemed to be non-business assets with the associated reduced scales of taper relief applicable. If this is the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

Inheritance Tax ("IHT")

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

Income Tax

Taxation of Dividends

UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

A UK pension fund, as defined in Section 231A ICTA, is restricted from claiming a repayment of the tax credit.

Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim relief for all or part of the tax credits carried by the dividends they received from UK companies. Persons who

are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

Loss Relief

If a loss arises on the disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

Stamp Duty and stamp duty reserve tax

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

14. General

- 14.1 The total costs and expenses relating to Admission are payable by the Company and are estimated to amount to approximately £247,000 (excluding Value Added Tax).
- 14.2 BDO Stoy Hayward LLP has given and not withdrawn its written consent to the inclusion in this document of its report set out in Part III and references thereto, and to its name, in the form and context in which they are included.
- 14.3 Nobles has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 14.4 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 14.5 The financial information set out in this document has not been audited and audited accounts have not yet been prepared for the Company.
- 14.6 The accounting reference date of the Company is 31 January.
- 14.7 The Directors are unaware of any exceptional factors which have influenced the Company's activities other than as disclosed in this document.
- 14.8 Save as disclosed herein, there has been no significant change in the trading or financial position of the Company since the date of incorporation of the Company.
- 14.9 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 14.10 Save as disclosed in paragraphs 7.2, 7.3 and 7.4 above and the Company's professional advisors and trade suppliers, no person directly or indirectly in the last twelve months has received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers and otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

15. Availability of Admission Document

Copies of this document are available free of charge from the Company's registered office and at the offices of Noble & Company Limited during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for one month from Admission.

Dated: 19 November 2004

DEFINITIONS

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

the “Act”	the Companies Act 1985, as amended
“Admission”	the placing of 2,000,000 Ordinary Shares at 50p and the admission to trading on AIM of the Ordinary Shares, in issue and to be issued conditional only upon such admission pursuant to the Subscription Agreement, becoming effective in accordance with the AIM Rules
“AIM”	The AIM Market operated by the London Stock Exchange
“AIM Rules”	the rules governing the operation of AIM
“Board”	the board of Directors of the Company
“Combined Code”	the Combined Code on Corporate Governance adopted by the UK Financial Reporting Commission
“Company” or “Creon”	Creon Corporation plc, a company incorporated and registered in England and Wales, with registered number 5216336
“CMS”	Combined Management Services Limited, a company incorporated and registered in England and Wales, with registered number 5226417
“CREST”	the system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo Limited is the operator
“CRESTCo”	CRESTCo Limited, the operator of CREST
“CREST Member”	a person who has been admitted by CRESTCo as a system member (as defined in the AIM Rules)
“Directors”	the directors of the Company at the date of this document, whose names are set out on page 3 of this document
“EU”	the European Union
“Exercise Price”	the exercise price of the Option, which will be equal to 90% of the average middle market quotations of the Ordinary Shares for the 5 dealing days prior to the relevant exercise date as shown by the Stock Exchange Alternative Trading Service of the London Stock Exchange, subject to a minimum of the nominal value of such shares
“Forestdale”	Forestdale Trading Limited, a company incorporated in the British Virgin Islands and whose address is Trident Chambers, Road Town, Tortola, British Virgin Islands
“ICTA”	Income and Corporation Taxes Act 1988
“Lynwood”	Lynwood Group Limited, a company incorporated in the British Virgin Islands and whose address is Trident Chambers, Road Town, Tortola, British Virgin Islands
“Manager”	Creon Equity LLP, a limited liability partnership incorporated and registered in England and Wales on 27th September 2004 with partnership number OC309387
“Nobles”	Noble & Company Limited, authorised and regulated by the Financial Services Authority
“Option”	the option granted by Forestdale to the Company pursuant to the option agreement summarised in paragraph 7.3 of Part IV of this document
“Option Agreement”	the conditional agreement between the Company and Forestdale, the terms of which are summarised in paragraph 7.3 of Part IV of this document
“Option Shares”	the Ordinary Shares to be issued pursuant to the Option Agreement
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company

“Partners”	The Members of Creon Equity LLP, whose names are set out in paragraph 3.2 of Part I of this document
“Shareholders”	holders of Ordinary Shares
“Subscription Agreement”	the conditional agreement between the Company and Lynwood the terms of which are summarised in paragraph 7.2 of Part IV of this document
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Warrants”	the warrants, each of which entitles the registered holder thereof to subscribe for one Ordinary Share, the terms of exercise of which are set out in the Warrant Instrument and described in paragraph 8 of Part IV of this document
“Warrant Instrument”	the instrument of the Company dated 22 October 2004 which constitutes the Warrants, details of which are set out in paragraph 8 of Part IV of this document

