

**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 authorised pursuant to the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before taking any action. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this document

If you have sold or transferred all your Existing Ordinary Shares in Readybuy plc ("Readybuy" or the "Company"), you should send this document, together with the accompanying Form 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, the Republic of Ireland 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, and the Company accept responsibility for the information contained in this document, other than the recommendation of the Independent Director set out in paragraph 21 of Part I of this document. To the best of the knowledge and belief of the Directors and 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 for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Independent Director accepts responsibility for the recommendation set out in paragraph 21 of Part I of this document and Alan Aubrey, a director of IP Group and of Techtran accepts responsibility for the information set out in Parts VI and VII of this document. To the best of the knowledge and belief of the Independent Director and Alan Aubrey (having taken all reasonable care to ensure that such is the case), the information for which they are respectively 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 New Concert Party accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of each member of the New 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 Existing Ordinary Shares to be re-admitted and for the New Ordinary 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 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 Existing Ordinary Shares or the New Ordinary Shares to the Official List. Neither the Existing Ordinary Shares nor the New Ordinary Shares will be dealt on any other recognised investment exchange and no other such application will be made. Furthermore neither the London Stock Exchange nor the UKLA has itself examined or approved the contents of this document.** It is expected that trading in the First Admission Shares will commence on AIM on 8 August 2006 and that trading in the Supplemental Consideration Shares will commence on AIM on 9 August 2006.

# Readybuy plc

(Registered in England and Wales under the Companies Act 1985, number 4748597)

## Proposed acquisition of Avacta Limited Proposed placing of 45,000,000 new ordinary shares of 0.1p each in the Company at 2.25p per share

## 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 Avacta Group plc

and

## Notice of Extraordinary General Meeting

*Nominated adviser and broker*

**WH Ireland Limited**

WH Ireland, which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and 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.

Notice of an Extraordinary General Meeting to be held at the offices of Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES at 11.00 a.m. on 7 August 2006 is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. To be valid the Form 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 the Extraordinary General Meeting, being 11.00 a.m. on 5 August 2006. Completion and posting of the Form of Proxy does not prevent a shareholder from attending and voting in person at the Extraordinary General Meeting.

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

The Existing Ordinary Shares have not been, and the New Ordinary 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, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary 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, the Republic of Ireland or Japan or to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland 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**

Latest time and date for receipt of Forms of Proxy in respect of the EGM	11.00 a.m. on 5 August 2006
Extraordinary General Meeting	11.00 a.m. on 7 August 2006
First Admission effective and dealings in the First Admission Shares commence on AIM	8 August 2006
Second Admission effective and dealings in the Supplemental Consideration Shares commence on AIM	9 August 2006
CREST stock accounts credited in respect of First Admission Shares	8 August 2006
CREST stock accounts credited in respect of Supplemental Consideration Shares	9 August 2006
Despatch of definitive share certificates in respect of New Ordinary Shares to be held in certificated form	16 August 2006

## **ADMISSION STATISTICS**

Number of Existing Ordinary Shares	124,327,344
Number of Deferred Shares in issue	19,327,344
Number of Consideration Shares proposed to be issued	500,000,000
Number of Placing Shares proposed to be issued	45,000,000
Placing Price	2.25p
Gross Proceeds of the Placing	£1,012,500
Net Proceeds of the Placing	£637,500
Number of Ordinary Shares in issue on First Admission	644,857,446
Number of Deferred Shares in issue on First Admission	19,327,344
Number of Ordinary Shares in issue on Second Admission	669,327,344
Number of Deferred Shares in issue on Second Admission	19,327,344
Percentage of the Enlarged Share Capital on Admission represented by	
• The Consideration Shares	74.70%
• The Placing Shares	6.72%
Market Capitalisation immediately following Admission at the Placing Price	£15.06m

## 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 Avacta pursuant to the Acquisition Agreement and the Supplemental Acquisition Agreement
“Acquisition Agreement”	the agreement dated 13 July 2006 between (1) the Initial Vendors and (2) the Company relating to the Initial Acquisition, which is conditional, <i>inter alia</i> , on the passing of the Resolutions at the EGM, further details of which are set out in paragraph 15 of Part VIII of this document
“Act”	the Companies Act 1985, as amended
“Admission”	the re-admission of the Existing Ordinary Shares to trading on AIM and the admission to trading on AIM of the New Ordinary Shares becoming effective in accordance with Rule 6 of the AIM Rules
“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 from time to time
“Avacta”	Avacta Limited
“Avacta Option Shares”	7,755 ordinary shares of 0.1p each in Avacta to be issued upon the exercise of certain options granted by Avacta to the Supplemental Vendors and to be immediately sold to Readybuy pursuant to the terms of the Supplemental Acquisition Agreement
“Avacta Analytical”	Avacta Analytical Limited
“Articles”	the articles of association of the Company at the date of this document
“the Board” or “the Directors”	the directors of the Company, as at the date of this document, being Daron Lee and Professor Alastair Smith
“Capital Reorganisation”	the re-organisation of the share capital of the Company which took place on 5 May 2006, details of which are set out in paragraph 2 of Part VIII of this document.
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the principles of Good Governance and Code of Best Practice maintained by the Financial Reporting Council
“Company” or “Readybuy”	Readybuy plc
“Consideration Shares”	the 500,000,000 new Ordinary Shares to be issued in accordance with the terms of the Acquisition Agreement and the Supplemental Acquisition Agreement
“Continuing Directors”	Professor Alastair Smith and the Proposed Directors
“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)
“Daily Official List”	the daily official list of the United Kingdom Listing Authority
“Deferred Shares”	the 19,327,344 Deferred Shares of 0.4p each in the issued share capital of the Company

“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, convened for 11.00 a.m. on 7 August 2006, and any adjournment thereof, notice of which is set out at the end of this document
“EIS”	the Enterprise Investment Scheme as prescribed in Part VII Chapter III of the Income and Corporation Taxes Act 1988 as amended
“Enlarged Group”	the Company and its subsidiary undertakings immediately following Admission being Oriental, Avacta and Avacta Analytical
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Existing Scheme”	the Readybuy unapproved share option scheme adopted on 26 August 2003
“Existing Concert Party”	the consortium of shareholders comprising Messrs Stephen Leslie James, Daron Ross Lee, Christopher Atur Potts, Robert Thomas Quested, Sally Claire Cooper, Richard Ian Griffiths, Stephen Twidell, Edward Roland Dawson, Elizabeth Anne Richardson, Stuart Alan Spurling, Leonard John Russell, Harvey Neil Laurence, David Hugh Richardson, Charles Henry Potts, Aubrey Calvin Meredith and Stephen James Richardson
“Existing Share Capital”	the issued ordinary share capital of the Company at the date of this document
“Existing Shareholder”	a holder of Existing Ordinary Shares
“Existing Ordinary Shares”	the 124,327,344 ordinary shares of 0.1p each in the capital of the Company in issue as at the date of this document
“Existing Warrant Instrument”	the warrant instrument dated 11 April 2006 constituting the Existing Warrants adopted by the Company at an extraordinary general meeting of the Company held on 5 May 2006 and of which further details are set out in paragraph 15 of Part VIII of this document
“Existing Warrants”	the warrants to subscribe for up to 52,500,000 Ordinary Shares issued to the Existing Concert Party and WH Ireland pursuant to the terms of the Existing Warrant Instrument
“First Admission”	the re-admission of the Existing Ordinary Shares to trading on AIM and the admission to trading on AIM of the New Ordinary Shares (other than the Supplemental Consideration Shares) becoming effective in accordance with Rule 6 of the AIM Rules
“First Admission Shares”	the Existing Ordinary Shares, the Placing Shares and the Initial Consideration Shares
“Form of Proxy”	the form of proxy enclosed with this document for use by holders of Existing Ordinary Shares in connection with the EGM
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Independent Director”	Daron Lee
“Independent Shareholders”	those shareholders of Readybuy considered to be independent for the purposes of approving the waiver to make a mandatory offer under Rule 9 of the City Code
“Initial Acquisition”	the proposed acquisition by Readybuy of 150,705 ordinary shares of 0.1p each in the capital of Avacta pursuant to the Acquisition Agreement
“Initial Consideration Shares”	475,530,102 new Ordinary Shares to be issued pursuant to the Acquisition Agreement
“Initial Vendors”	Kurt Justin Baldwin, Alan Arthur Brain, David Alastair MacLaughlin Smith, Simon Webster, Gwynfor Owen Humphreys, Anthony William

	Robards, Alan Aubrey, University of Leeds, Techtran Group Limited, David Norwood, Alison Fielding, Alex Stevenson, Timothy Sykes, Stephen Brookes, Magnus Goodlad, Richard Ian Griffiths, Russell Hodgetts and Rodney Adams being the holders of the entire issued share capital of Avacta at the date of this document
“Locked in Shares”	Ordinary Shares registered in the respective names of or beneficially held by the Vendors immediately following First Admission (in the case of the Initial Vendors) and immediately following Second Admission (in the case of the Supplemental Vendors) and those and any rights acquired by them pursuant to the exercise of an option or warrant to acquire Ordinary Shares or to subscribe for Ordinary Shares which have already or may subsequently be granted to them within the 12 months following Admission
“IP Group”	IP Group plc
“London Stock Exchange”	London Stock Exchange plc
“New Concert Party”	the Initial Vendors and the Supplemental Vendors
“New Ordinary Shares”	the 545,000,000 new Ordinary Shares to be issued conditionally upon the passing of the Resolutions pursuant to the Placing, the Acquisition Agreement and the Supplemental Acquisition Agreement
“New Schemes”	the new Readybuy Enterprise Management Incentive Scheme and the new Readybuy Unapproved Option Scheme proposed to be adopted by the Company at the EGM
“Notice”	the notice of EGM set out at the end of this document
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Oriental”	Oriental Fine Foods Limited
“Overseas Shareholders”	existing shareholders who are resident in, or citizens of, countries other than the UK
“Panel”	the Panel on Takeovers and Mergers
“Permitted Transferees”	in the case of a Vendor that is a body corporate (as defined in section 740 of the Act) any body corporate which is a wholly owned subsidiary or holding company (as defined in section 736 of the Act) of such a Vendor or any subsidiary of a holding company of such a Vendor, and in the case of a Vendor who is an individual, his spouse or any of his children or any trustees for himself, his spouse or children
“Placing”	the conditional placing of the Placing Shares at the Placing Price, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 13 July 2006 between (1) the Company (2) WH Ireland (3) the Directors and the Proposed Directors relating to the Placing and the application for Admission, details of which are set out in paragraph 15 of Part VIII of this document
“Placing Price”	2.25p per Placing Share
“Placing Shares”	the 45,000,000 New Ordinary Shares proposed to be issued pursuant to the Placing
“Proposals”	the Acquisition, the Placing and Admission
“Proposed Directors”	the proposed new directors of the Company with effect from First Admission being Simon Webster, Kurt Justin Baldwin, Gwynfor Owen Humphreys, Anthony Robards, Alan Aubrey and Timothy Sykes

“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Readybuy Group”	the Company and Oriental
“Resolutions”	the resolutions to be proposed at the EGM, set out in the Notice at the end of this document
“Second Admission”	the admission to trading on AIM of the Supplemental Consideration Shares
“Shareholder”	a holder of Ordinary Shares in the capital of the Company
“Supplemental Acquisition”	the proposed acquisition by Readybuy of 7,755 ordinary shares of 0.1p each in the capital of Avacta pursuant to the Supplemental Acquisition Agreement
“Supplemental Acquisition Agreement”	the agreement dated 13 July 2006 between (1) the Supplemental Vendors and (2) the Company relating to the Supplemental Acquisition, which is conditional, <i>inter alia</i> , on the Acquisition Agreement becoming unconditional, further details of which are set out in paragraph 15 of Part VIII of this document
“Supplemental Consideration Shares”	24,469,898 new Ordinary Shares to be issued pursuant to the Supplemental Acquisition Agreement
“Supplemental Vendors”	Russell Hodgetts, Kurt Baldwin, Alan Arthur Brain, Simon Webster, Inigo Rafael Rodriguez Mendieta, John Clarkson, Sergiu Masca, Tara Sabir and George Dimitriadis.
“Techtran”	Techtran Group Limited
“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
“Vendors”	the Initial Vendors and the Supplemental Vendors
“Waiver”	the waiver to be granted, subject to the passing of Resolution 1 on a poll of Independent Shareholders at the EGM, by the Panel of the obligation of the New Concert Party (or any member thereof) which would otherwise arise under Rule 9 of the City Code upon completion of the Acquisition to make a mandatory cash offer for the Ordinary Shares not already owned by the New Concert Party (or the relevant member thereof) on or after First Admission, as further described in paragraph 10 of Part I of this document
“WH Ireland”	WH Ireland Limited

## DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Daron Ross Lee ( <i>Non-executive Chairman</i> ) Professor David Alastair Maclughlin Smith ( <i>Non-executive and Proposed Chief Executive following First Admission</i> )
<b>Proposed Directors</b>	Dr. Gwynfor Owen Humphreys ( <i>Proposed Non-executive Chairman</i> ) Dr. Simon Webster ( <i>Proposed Chief Scientific Officer</i> ) Dr. Kurt Justin Baldwin ( <i>Proposed Chief Technology Officer</i> ) Timothy James Sykes ( <i>Proposed Chief Financial Officer and proposed Company Secretary</i> ) Professor Anthony William Robards ( <i>Proposed Non-executive Director</i> ) Alan John Aubrey ( <i>Proposed Non-executive Director</i> )
<b>Company Secretary</b>	Mark Anthony Shields
<b>Registered and Head Office</b>	Television House 10-12 Mount Street Manchester M2 5NT
<b>Proposed Head Office</b>	York Biocentre York Science Park Innovation Way Heslington North Yorkshire YO10 5NY
<b>Nominated Adviser and Broker</b>	WH Ireland Limited 11 St James' Square Manchester M2 6WH
<b>Auditors</b>	Chadwick LLP Television House 10-12 Mount Street Manchester M2 5NT
<b>Reporting Accountants</b>	Baker Tilly Brazennose House Lincoln Square Manchester M2 5BL
<b>Solicitors to the Company</b>	Eversheds LLP Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
<b>Solicitors to the Vendors</b>	Walker Morris Kings Court 12 King Street Leeds LS1 2HL
<b>Solicitors to WH Ireland</b>	Cobbetts LLP Ship Canal House King Street Manchester M2 4WB
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PART I

### LETTER FROM THE CHAIRMAN OF READYBUY PLC

# Readybuy plc

(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 4748597)

*Directors:*

Daron Lee (*Chairman*)  
Professor Alastair Smith (*Non-executive*)

*Registered Office:*  
Television House  
10-12 Mount Street  
Manchester  
M2 5NT

13 July 2006

*To the holders of Existing Ordinary Shares*

Dear Sir/Madam

**Proposed acquisition of Avacta  
Proposed Placing**

**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 Avacta Group plc  
and**

**Notice of Extraordinary General Meeting**

**1. Introduction**

The Company has today announced that it has agreed, subject, *inter alia*, to Existing Shareholder approval, to acquire the entire issued and to be issued share capital of Avacta in consideration of the issue of 500,000,000 new Ordinary Shares.

The Company also proposes to raise £1,012,500 (before expenses) by means of a placing of 45,000,000 new Ordinary Shares at 2.25p per share. These funds will be used to finance the development of Avacta and provide additional working capital for the Enlarged Group.

By reason of the size of Avacta in relation to Readybuy, the Acquisition is classified as a reverse takeover under the AIM Rules and, therefore, requires the approval of Existing Shareholders in general meeting. To complete the Acquisition and implement the Placing it will also be necessary to give the Directors the required powers and authorities to allot the New Ordinary Shares. In view of the significance of the Acquisition, the Directors also propose to change the name of the Company to Avacta Group plc.

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, notice of which is set out at the end of this document.

As Professor Alastair Smith is the Chief Executive of and a shareholder in Avacta, I have taken sole responsibility, as the Independent Director, for considering the Acquisition on behalf of the Existing Shareholders and, together with WH Ireland, for reaching the conclusions on the appropriate recommendation to the Existing Shareholders, which recommendation is set out in paragraph 21 of this Part I.

**2. Background to, and reasons for the acquisition**

As previously reported, the Readybuy Group's trading activities were terminated in July 2005 for the reasons set out in paragraph 4 of this letter. Since that date the directors of Readybuy have been exploring the future options available to the Company.

On 11 April 2006, the Company announced an issue of new Ordinary Shares to raise £262,500 before expenses and the grant of warrants to subscribe for additional Ordinary Shares in order to provide additional

working capital and to enable the Company to pursue its investing strategy. This strategy, which was approved at an extraordinary general meeting of the Company held on 5 May 2006, is to acquire a company involved in developing enabling technologies, particularly in the defence and bio-chemistry sectors. The Board believes that the proposed acquisition of Avacta meets this investment strategy.

In accordance with the AIM Rules, the Company is required to complete a reverse transaction or satisfy the London Stock Exchange that it has substantially implemented its investing strategy by 21 October 2006. In the event that this deadline is not met, the Company's shares will be suspended from trading and, if within the then following six months such a transaction has not been undertaken, the admission of these shares to trading on AIM will be cancelled.

### 3. Information on Avacta

#### *Introduction*

Avacta was spun-out from the University of Leeds in January 2004 by its current management team as a biophysics company, with the aim of combining the disciplines of physics and biology to develop innovative technologies to address needs in the homeland security, pharmaceutical and clinical diagnostics markets. The goal of Avacta is to integrate the best elements of each discipline into technologies suitable to address specific identified needs in the targeted markets. In seeking to achieve this goal Avacta intends to combine its in-house expertise in laser spectroscopy, nanotechnology and instrumentation engineering with its understanding of the versatility and specificity of biology.

Avacta has two core activities:

- the development of detection technology platforms designed to meet the needs of its target markets; and
- the provision of analytical services relating to the chemical and physical analysis of materials to a range of companies, principally in the pharmaceutical, healthcare and personal care sectors.

These activities are complementary; the provision of analytical services to clients in the target markets enables Avacta to identify needs for new technological solutions which could be addressed by the technology platforms that Avacta is developing. In addition, the directors of Avacta believe that the relationships that Avacta develops with its clients through the provision of analytical services facilitates the formation of co-development partnerships and should also result in earlier market acceptance of new technology developed by Avacta.

The technology development activities are carried out through Avacta. Analytical services are carried out by Avacta's wholly-owned subsidiary, Avacta Analytical.

Avacta has been primarily funded through its early stage development by equity investment by Techtran and IP Group, income from analytical services and a grant from a regional development organisation. In addition, Avacta has received research and development funding from the MOD as part of a co-development project. Avacta is currently in advanced discussions with the UK government with regard to a co-development project and with UCB's Celltech Antibody Centre of Excellence in relation to a collaboration funded by the Department of Trade and Industry. Avacta is also in early stage discussions with a number of other organisations in respect of the formation of additional co-development projects.

Avacta operates from offices and laboratories at the York Biocentre, part of the York Science Park, and has 10 employees.

#### *Detection technology platforms*

Avacta is currently developing two detection technology platforms. These are:

*The spectraTECH platform* — a set of technologies using laser spectroscopy for chemical and biological analysis/detection. The directors of Avacta have identified three potential commercial applications for this technology platform:

- **Remote hazard detection** — this application is being developed to provide molecular "fingerprints" in a moving field of view. The application is intended to be vehicle mounted and is being primarily designed to detect chemicals, including weapons material, at distances of up to 20 metres. The application is in co-development with the MOD and laboratory trials of the proof-of-principle prototype device are currently under way;

- **Short stand off detection** — this application is intended to overcome the problems of using Raman spectroscopy outside the laboratory in practical situations where dirt and background signals often yield this potentially powerful detection technique of little use. The objective is to design a hand-held detection system capable of rapid characterisation of suspected hazardous materials at distances of up to one metre. The application is currently being developed internally; and
- **Biopharmaceutical materials characterisation** — the directors of Avacta believe that the spectraTECH platform could be applied to take measurements of protein therapeutics at an early stage of a drug development pipeline in order to predict their biophysical properties with a view to identifying some of the risks of later stage failure of the candidate drug. Avacta has received an offer from the Department of Trade and Industry to carry out a research and development project in collaboration with UCB's Celltech Antibody Centre of Excellence.

Avacta is preparing two UK patent applications in respect of the spectraTECH platform.

*The nanoSCREEN platform* — a set of technologies being developed with the aim of producing instrumentation and associated consumables that will be capable of use in the rapid detection of pathogens, toxins and biomarkers. The directors of Avacta have identified two applications that they believe could be developed using this technology platform:

- **Multi-analyte detection for homeland security and public health protection applications** — Avacta is in separate discussions with the Home Office and a US company to co-develop products for specific applications in this area;
- **Clinical diagnostics** — Avacta is working with clinical scientists based at the University of Leeds to develop a rapid, non-invasive diagnostic product and is in the early stages of discussions with two private UK companies regarding clinical applications.

Avacta has submitted two patent applications in respect of the nanoSCREEN platform.

Avacta's two technology platforms are based upon multiple different technologies for which Avacta is now finding applications in a range of markets. The directors of Avacta therefore believe that Avacta is not reliant on a single technology or a single market.

### ***Analytical Services***

Avacta Analytical specialises in the provision of spectroscopy, microscopy, surface analysis and biophysics services. It provides these services to a diverse client base which includes companies in the biopharmaceutical, pharmaceutical and health/personal-care sectors. The directors of Avacta believe that it is possible to expand the client base in all these sectors, especially the biopharmaceutical sector.

Avacta Analytical has developed a packaged service for the biopharmaceutical industry (the "Biophysical Toolkit") which can be used to characterise the properties of protein molecules that are critical to their performance as biopharmaceuticals.

### ***Technology Markets***

The directors of Avacta have identified the defence and homeland security, biopharmaceutical and clinical diagnostics markets as its principal markets of opportunity for its detection technologies.

#### ***Defence, homeland security and public health***

Following the increasing prevalence of international terrorism in recent years, homeland security has become a high priority to many governments. The potential threat posed to public health by diseases such as SARS and pandemic flu is also a concern within this market. Avacta is developing technologies to help combat these threats. Avacta is focusing on the development of innovative technologies for the detection and characterisation of biological and chemical threats to individuals and society arising from terrorist attack or natural in origin. It is important that any such threats are detected and identified at the earliest opportunity in order that the correct action may be taken to contain and neutralise the threat. The directors of Avacta believe that this requires a technology that is capable of rapidly detecting multiple different toxins and/or pathogens ideally with low false positive/negative rates, that is rugged and portable, capable of sampling air, liquid or solid surfaces and which may need to be capable of being used at a safe distance.

### *Biopharmaceutical*

There are a number of challenges facing this sector which the directors of Avacta believe, with its strong background in biophysics, Avacta is well qualified to address.

By way of example, the directors of Avacta believe that the early stage lead selection techniques employed by most biopharmaceutical companies in drug development do not adequately predict many aspects of product performance during manufacture, storage or delivery. Avacta is seeking to develop a new technology which would follow current early stage lead selection and provide a greater predictive capability with a view to reducing the failure of protein therapeutics in their later stages of development.

### *Clinical diagnosis*

The directors of Avacta believe that there is a current and growing requirement for rapid analytical/detection technologies for clinical diagnostic and personalised medicine applications. In the longer term the technologies which Avacta is currently developing should be well suited to meet these requirements as they are being designed to rapidly detect pathogens, toxins and biomarkers as well as being portable and robust. Over the short term, Avacta will develop the clinical diagnostics applications of its technologies in a market driven manner through existing collaborations with clinicians in Leeds University and through commercial partnerships.

The directors of Avacta believe that, although each of the three markets targeted by Avacta is dominated by a number of large companies, there are opportunities for smaller companies which have proprietary technologies meeting identified needs in these markets.

### *Summarised financial information*

The following financial information on Avacta has been extracted without material adjustment from the historical financial information on Avacta for the period to 31 July 2004, the year ended 31 July 2005 and the eight months ended 31 March 2006 set out in Part IV of this document. This key financial information should be read in conjunction with the full text of this document and investors should not rely solely on this summarised information.

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Turnover	24,427	68,412	158,811
Operating profit/(loss)	19,322	(23,065)	(74,005)
Profit/(loss) on ordinary activities before tax	19,359	(22,113)	(67,995)

### *Strategy*

The Continuing Directors intend to utilise the net proceeds of the Placing to:

- further the development of the detection technology platforms to proof of concept stage;
- finance the protection of Avacta's intellectual property;
- finance the development of Avacta's analytical services business by funding marketing and promotional activity; and
- demonstrate the advantages of Avacta's technology to support potential additional fund raising in due course.

**The Continuing Directors anticipate that additional funding will be required to develop products for which proof of concept is established to enable them to be brought to market.**

## **4. Information on Readybuy**

The Company was incorporated in 2003 and its issued share capital was admitted to trading on AIM in September of that year. As a result of losses suffered in the Readybuy Group's principal trading activity of the manufacture and sale of chilled foods, the decision was taken by the directors of Readybuy at the time to cease trading in July 2005. As was reported to you in the annual accounts for the year ended 30 April 2005, the directors of Readybuy have since been exploring the future options available to the Company and how best to utilise its remaining cash balances to provide the best return for the holders of Existing Ordinary Shares.

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

## **5. Current trading and future prospects**

### ***Readybuy***

The Company ceased trading in July 2005 and has not traded since that date.

### ***Avacta***

During the period since 1 April 2006, Avacta and Avacta Analytical have continued to trade in line with the expectations of Avacta's directors.

### ***Enlarged Group***

The Continuing Directors believe that the prospects of the Enlarged Group are dependent upon the successful development of the detection technology platforms currently being undertaken by Avacta.

## **6. 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 directors of the Company will continue to review the appropriateness of its dividend policy as the Enlarged Group develops. However, no dividend will be able to be paid until the significant deficit on the Company's profit and loss account is cleared.

## **7. Directors, Proposed Directors and employees**

The directors of the Company as at the date of this document comprise Daron Lee and Professor Alastair Smith. It is proposed that, on First Admission, the Proposed Directors will join the Board, Professor Smith will be appointed as the Chief Executive of the Enlarged Group and Daron Lee will resign as a Director.

### ***Directors***

#### **Daron Lee (Aged 39)**

Daron commenced his career with stockbrokers Ashworth Sons & Barratt in 1987 before pursuing other opportunities within the family business. He then returned to stockbroking with WH Ireland before establishing Proquote Limited ("Proquote"), a business engaged in the provision of on-line stock market data and company information. Proquote was sold in February 2003 to the London Stock Exchange and Daron remained with Proquote as its managing director until the end of 2004. Since then Daron has pursued a number of personal business interests and became a Director on 7 July 2006.

#### **Professor Alastair Smith (Aged 39), Non-executive Director and Proposed Chief Executive following Admission**

Alastair is the chief executive and one of the founders of Avacta. He has a degree and PhD in Physics from Manchester University and, after working in the US for a period, took up a position at Leeds University in 1995. Alastair has spent the last 10 years developing new biophysical technologies and applying them to problems in structural molecular biology. At the age of 38 he was awarded a Chair of Molecular Biophysics for this work and he also holds the Directorship of the Institute of Molecular Biophysics at Leeds University. He co-founded Avacta in January 2004. He became a Director on 7 July 2006.

### ***Proposed Directors***

#### **Dr Gwyn Humphreys (Aged 60), Non-executive Chairman**

Gwyn was appointed chairman of Avacta in December 2005. Gwyn has extensive experience of technology transfer and early-stage technology companies. Originally a biochemist/molecular biologist, Gwyn spent 10 years in academic research, followed by 10 years at Celltech Limited where, for three years, he was responsible for creating and managing a joint-venture company (Apcel) with Air Products. In 1995 Gwyn was a founder and Managing Director of Bradford Particle Design plc which was sold in 2001 to Nektar Therapeutics Inc. Gwyn is also Chairman of Syntopix Group plc and Bioniqs Limited.

#### **Dr Simon Webster (Aged 38), Chief Scientific Officer**

Simon received his degree in Physics and a PhD in Molecular Physics from the University of Leeds. He has worked as a professional consultant to industry and as an expert witness in world-wide pharmaceutical

litigation since 1998 and has carried out commercial and academic projects for multinational corporations, SMEs and government organisations to develop instrumentation and to apply analytical techniques to solve commercial problems. He co-founded Avacta in January 2004.

**Dr Kurt Baldwin (Aged 38), Chief Technology Officer**

Kurt has been working with optics and optical systems for the majority of his professional and academic career. He studied for a degree in Physics and Theoretical Physics at Cambridge University, an MSc in Applied Optics at Imperial College, London, and a PhD in spectroscopy at the University of Leeds. He has developed optical technology such as international standards of optical fibres at British Telecom and novel high power laser drills for the aerospace industry. He co-founded Avacta in January 2004.

**Tim Sykes (Aged 36), Chief Financial Officer**

Tim is a qualified Chartered Accountant and a director of Penta Financial Direction Limited, his own business advisory practice which specialises in providing services to small businesses. He is Chief Financial Officer of PROACTIS Holdings PLC and Mountain Warehouse Holdings Limited. Prior to this, Tim was an Associate Director within KPMG's Transaction Services Group. He joined Avacta in April 2006.

**Professor Tony Robards OBE (Aged 66), Non-executive Director**

After first and higher degrees in Biology at University College London, Tony came to York in 1966 to pursue an academic career in biological research. In 1996 he was appointed Pro-Vice-Chancellor for External Relations at the University of York, a post he held for 8 years. In 2001, Tony was appointed the first HSBC Chair of Innovation at the University of York. Tony's commitment to creating links between the University and external organisations has led to a wide range of business activities including Past-President of the York and North Yorkshire Chamber of Commerce, Joint Executive of Science City York, Chair of York Science Park Limited and Venturefest York Limited, as well as being non-executive Chair of YorkTest Group Limited and LG01 Limited. He was appointed a director of Avacta in December 2005.

**Alan Aubrey (Aged 45), Non-executive Director**

Alan is the Chief Executive Officer of IP Group, a listed company that specialises in commercialising intellectual property originating from research intensive institutions. He is non-executive chairman of PROACTIS Holdings PLC and of Energetix Group Limited, and a non-executive director of Syntopix Group plc. Previously Alan was the founder and CEO of Techtran, a business that was sold to IP Group in 2005 and which is a significant shareholder in Avacta. He was also a partner at KPMG where he specialised in providing corporate finance advice to fast growing technology businesses. He is a fellow of the Institute of Chartered Accountants, holds a BA in economics from the University of Leeds and an MBA from the University of Bradford.

**Employees**

Save as disclosed in paragraph 10 of Part VIII of this document, the Continuing Directors do not intend to make any material amendment to the terms of employment of the Enlarged Group's current employees.

**8. Principal terms and conditions of the Acquisition**

The Company has conditionally agreed to acquire the entire issued and to be issued share capital of Avacta. The consideration is to be satisfied by the allotment and issue by the Company of the Consideration Shares. The Consideration Shares will, when issued, represent 74.70% of the Enlarged Share Capital. The Consideration Shares will be issued as fully paid and will rank *pari passu* in all respects with the Existing Share Capital, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

**Initial Acquisition**

The share capital of Avacta in issue as at the date of this document ("Avacta Issued Shares") is to be acquired pursuant to the Acquisition Agreement which is conditional *inter alia*, upon:

- (a) the Resolutions being duly passed at the EGM;
- (b) the Placing Agreement becoming unconditional (save as to any condition relating to First Admission); and
- (c) First Admission occurring.

The consideration for the Avacta Issued Shares is to be satisfied by the allotment and issue by the Company of 475,530,102 of the Consideration Shares which, when issued, will represent 71.05% of the Enlarged Share Capital.

### ***Supplemental Acquisition***

The options over the Avacta Option Shares which exist at the date of this document ("Avacta Options") will become exercisable on a change of control of Avacta. Such a change of control will occur on completion of the Initial Acquisition. The holders of the Avacta Options have agreed to exercise their Avacta Options immediately after completion of the Initial Acquisition and the Company has agreed, conditional upon Second Admission occurring, to acquire the Avacta Option Shares to be issued upon the exercise of the Avacta Options pursuant to the Supplemental Acquisition Agreement.

The consideration for the Avacta Option Shares is to be satisfied by the allotment and issue by the Company of 24,469,898 of the Consideration Shares which, when issued, will represent 3.66% of the Enlarged Share Capital.

It is expected that completion of the acquisition of the Avacta Option Shares and First Admission will take place on 8 August 2006. It is expected that the exercise of the Avacta Options and the acquisition of the Avacta Option Shares will occur immediately after First Admission.

Further details of the Acquisition Agreement and the Supplemental Acquisition Agreement are set out in paragraph 15 of Part VIII of this document.

### **9. Details of the Placing**

The Company is proposing to raise £1,012,500 (before expenses) by the issue of 45,000,000 Placing Shares pursuant to the Placing at the Placing Price. The Placing Shares will represent 6.72% of the Enlarged Share Capital.

The Placing Shares will be issued fully paid and will, on issue, rank *pari passu* with the Existing Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

The Placing is subject, *inter alia*, to the satisfaction of the following conditions on or before 8.00 a.m. on 8 August 2006 or such later time and date (being not later than 5.00 p.m. on 31 August 2006) as WH Ireland and the Company may agree:

- (a) the passing of the Resolutions at the EGM;
- (b) the completion of the Initial Acquisition;
- (c) First Admission having occurred; and
- (d) WH Ireland not having exercised its rights in certain circumstances to terminate the Placing Agreement prior to First Admission.

Further details of the Placing Agreement are set out in paragraph 15 of Part VIII of this document.

### **10. 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 protection afforded by the City Code.

Under Rule 9 of the City Code, a 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 him are interested) carry 30% 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 him, is interested in shares in a company which is subject to the City Code and which in aggregate carry not less than 30% but not more than 50% of that company's voting rights, and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in that company in which he is 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 shares in the company by the person required to make the offer or any person acting in concert with him.

The Vendors are together deemed to be acting in concert for the purposes of the City Code.

After completion of the Acquisition, the New Concert Party's interest in shares carrying voting rights in the Company will represent, in aggregate, approximately 74.88% of the voting rights attaching to the Company's issued ordinary share capital.

The table below shows the interest of the New Concert Party assuming that the Proposals are implemented and including any holdings of Existing Ordinary Shares.

Name	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Techtran	174,517,228	26.07
University of Leeds	59,952,038	8.96
Professor Alastair Smith	49,217,468	7.35
Dr. Simon Webster	48,624,258	7.26
Dr. Kurt Baldwin	48,624,258	7.26
Alan Brain	36,734,822	5.49
Alan Aubrey	12,173,419	1.82
Dr. Gwyn Humphreys	11,125,836	1.66
Russell Hodgetts	9,847,912	1.47
Professor Tony Robards	8,491,102	1.27
David Norwood	7,522,403	1.12
Alison Fielding	7,522,403	1.12
Alex Stevenson	7,522,403	1.12
Richard Ian Griffiths <sup>1</sup>	7,144,718	1.07
Rodney Adams	3,253,187	0.49
Tim Sykes	2,918,718	0.44
Stephen Brookes	2,092,011	0.31
Magnus Goodlad	1,691,279	0.25
Inigo Mendieta	444,907	0.07
John Clarkson	444,907	0.07
Sergiu Masca	444,907	0.07
Tara Sabir	444,907	0.07
George Dimitriadis	444,907	0.07
	<hr/> <hr/> 501,200,000	<hr/> <hr/> 74.88

<sup>1</sup> Richard Ian Griffiths' shareholding includes 1,200,000 Existing Ordinary Shares. He is also interested in 600,000 Existing Warrants.

If the New Concert Party exercised all the share options held by them pursuant to the New Schemes (as set out in paragraph 9 of Part VIII of this document) and all Existing Warrants, the New Concert Party's interest in shares carrying voting rights in the Company would represent approximately 75.75% of the voting rights attaching to the Company's then enlarged share capital (assuming that only the New Concert Party would exercise their options in full at the earliest possible date, being on the third anniversary of the date of grant, and their Existing Warrants). On the same basis, the interests of Professor Alastair Smith, Dr. Simon Webster, Dr. Kurt Baldwin, Russell Hodgetts and Richard Ian Griffiths would represent approximately 8.15%, 8.06%, 8.06%, 1.68% and 1.16% respectively of the voting rights attaching to the Company's then enlarged share capital.

**The Panel has agreed, subject to the passing of Resolution 1 on a poll at the EGM, to waive the obligation of the New Concert Party to make a general offer under Rule 9 that would otherwise arise as a result of the Proposals.**

**Shareholders should be aware that, following the Acquisition, the members of the New Concert Party will together hold more than 50% of the voting rights attaching to the Company's issued share capital. Accordingly, the New Concert Party, for so long as the members of the New 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 New Concert Party will not be able to increase their percentage shareholdings through a Rule 9 threshold without Panel consent.**

**The members of the Existing Concert Party were deemed to be acting in concert for the purpose of the City Code when they agreed, pursuant to an agreement dated 11 April 2006, to subscribe for new Ordinary Shares. After completion of the Proposals, the Existing Concert Party's interest in shares carrying voting rights in the Company will represent, in aggregate, approximately 19.84% of the voting rights attaching to the Company's issued share capital. If the members of the Existing Concert Party exercised the Existing Warrants to which they are entitled in full, the Existing Concert Party's interest in shares carrying voting rights in the Company would represent, in aggregate, approximately 25.62% of the voting rights attaching to the Company's issued share capital.**

## **11. The New Concert Party**

The New Concert Party comprises the Vendors. Biographies of Professor Alastair Smith, who is a member of the New Concert Party, and those members of the New Concert Party who are Proposed Directors, are set out in paragraph 7 of Part I of this document. Details relating to the other principal members of the New Concert Party are set out below:

### ***Techtran***

The principal activity of Techtran is the development of intellectual property created by UK universities with the potential for commercial development. Techtran is a subsidiary of IP Group. Information on IP Group is set out in Part VI of this document. Information on Techtran is set out in Part VII of this document.

### ***University of Leeds***

The University of Leeds is both a research intensive institution and one of the largest teaching universities in the UK. Its turnover for the year to 31 July 2005 was £367 million and its asset base was £268 million on an historical cost basis. A significant by-product of the research activity is the generation of intellectual property, which is commercialised by the University through a variety of methods including spin-off companies. There are 39 spin-off companies in total, of which the University has a controlling interest in only four. The University owns between 20% and 50% of 16 of the spin-off companies and less than 20% of the balance.

### ***Alan Brain (Aged 60)***

Alan has 30 years' experience working in the healthcare industry particularly in materials testing and microscopy, where his expertise lies in developing industrial applications of new technologies and in providing expert witness services. Prior to co-founding Avacta, Alan was an independent consultant specialising in microscopy and surface analysis. He is currently an Honorary Visiting Research Fellow in the Department of Physics at the University of York.

Richard Ian Griffiths is a member of the New Concert Party and is also an Existing Shareholder and holds Existing Warrants.

### ***Intentions of the New Concert Party***

The Company and Oriental have ceased to trade and therefore currently do not have any business, employees or fixed assets. Upon completion of the Proposals, it is intended that the Company will become the holding company for Avacta and Avacta Analytical.

## **12. Related party transaction**

As Professor Alastair Smith, a member of the New Concert Party, is a Director, the Initial Acquisition is classified as a related party transaction under section 320 of the Act and the AIM Rules. For the purposes of section 320 of the Act, the Initial Acquisition is required to be approved by the Existing Shareholders. The opinion of the Independent Director on the terms of the Acquisition is set out in paragraph 21 of this Part I.

## **13. Lock-in agreements**

The Vendors, who, following Admission, will together hold 74.88% of the Enlarged Share Capital have agreed that they will not (save in certain specific circumstances) dispose of any Ordinary Shares held by them for a period of 12 months following Admission and only dispose of Ordinary Shares through WH Ireland for a period of 12 months thereafter. The Placing Shares are not subject to any lock-in agreement.

Details of the lock-in agreements are set out in paragraph 15 of Part VIII of this document.

#### **14. Corporate governance**

The Company does not currently trade and the following sets out the Company's intentions in respect of compliance with the UK's corporate governance regime should the Acquisition take place, at which time the board of directors will change and be expanded.

The Continuing Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Enlarged Group. As the Enlarged Group grows, the intention of the Continuing Directors 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 Continuing Directors will take such measures, as far as is practicable, to comply with the Combined Code.

An audit committee will be put in place on completion of the Proposals and, subject to Admission, will comprise Professor Tony Robards and Dr. Gwyn Humphreys and will be chaired by Alan Aubrey. It will meet at least once per annum and will be responsible for ensuring the integrity of the financial information reported to the Shareholders and the systems of internal controls. This committee provides an opportunity for reporting by the Company's auditors.

A remuneration committee will be put in place on completion of the Proposals and, subject to Admission, will comprise Alan Aubrey, Professor Tony Robards and will be chaired by Dr. Gwyn Humphreys. It will review the performance of the executive directors and set the scale and structure of their remuneration and basis of their service agreements with due regard to the interests of shareholders. The remuneration committee will also determine the allocation of share options to employees. It is a rule of the remuneration committee that no director shall participate in discussions or decisions concerning his own remuneration.

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 will take reasonable steps to ensure such compliance by Directors and applicable employees.

#### **15. Admission to AIM and dealings**

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares (other than the Supplemental Consideration Shares) to be re-admitted and admitted, respectively, to trading on AIM. It is expected that First Admission will become effective and dealings, for normal settlement, will commence on 8 August 2006.

Application will be made to the London Stock Exchange for the Supplemental Consideration Shares to be admitted to trading on AIM. It is expected that Second Admission will become effective and dealings, for normal settlement, will commence on 9 August 2006.

If the Resolutions are not passed or the Initial Acquisition is not completed, the Existing Ordinary Shares will continue to be traded on AIM.

#### **16. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Ordinary Shares are eligible for settlement through CREST. 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.

#### **17. Taxation**

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 19 in Part VIII 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.

#### **18. 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 Existing Shareholders. An Extraordinary General Meeting has been convened for 11.00 a.m. on 7 August 2006 to be held at the offices of Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES.

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 the Resolutions to:

1. approve the waiver by the Panel for any requirement of the New Concert Party to make a general offer pursuant to Rule 9 of the City Code;
2. approve the change in the name of Readybuy to Avacta Group plc;
3. approve the Initial Acquisition, the Supplemental Acquisition and in compliance with section 320 of the Act the acquisition, pursuant to the terms of the Acquisition Agreement, of ordinary shares of 0.1p each in Avacta from Professor Alastair Smith;
4. increase the authorised share capital of the Company;
5. authorise the Directors to allot relevant securities up to an aggregate nominal value of £700,000;
6. disapply pre-emption rights;
7. approve the adoption of the Readybuy Enterprise Management Incentive Scheme; and
8. approve the adoption of the Readybuy Unapproved Option Scheme.

In accordance with the requirements of the Panel, Resolution 1 will be taken on a poll.

Richard Ian Griffiths who is a member of the New Concert Party is also a shareholder of Readybuy and has agreed not to vote his 1,200,000 Existing Ordinary Shares in Readybuy in respect of Resolution 1 to be proposed at the EGM.

#### **19. Action to be taken**

A Form of Proxy is enclosed with this document. Whether or not you intend to be present at the EGM, you are asked to complete and return the Form of Proxy 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, being 11.00 a.m. on 5 August 2006. Completion and return of the Form of Proxy does not preclude you from attending the EGM and voting in person, if you so wish.

#### **20. Further information**

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

#### **21. Recommendation**

The Independent Director, who has been so advised by WH Ireland, believes that the Waiver and the terms of the Acquisition are fair and reasonable in so far as the Existing Shareholders are concerned. In providing advice to the Independent Director, WH Ireland has taken into account the information supplied by, and the commercial assessment of, the Independent Director.

The Directors, who have been advised by WH Ireland, believe that the Proposals (save for the Waiver and the Acquisition, in respect of which the recommendation of the Independent Director is set out above) are fair and reasonable and in the best interests of the Company and the Existing Shareholders as a whole. In providing advice to the Directors, WH Ireland has taken into account the information supplied by the Directors and their commercial assessments.

Accordingly:

- (a) the Independent Director recommends Existing Shareholders to vote in favour of the Resolutions numbered 1 and 3 to be proposed at the Extraordinary General Meeting. The Independent Director intends to vote on the Resolutions numbered 1 and 3 in respect of his own beneficial holding of 15,000,000 Ordinary Shares representing approximately 12.06% of the Existing Share Capital; and
- (b) the Directors recommend Existing Shareholders to vote in favour of the Resolutions numbered 2, 4, 5, 6, 7 and 8. The Directors intend to vote in favour of the Resolutions numbered 2, 4, 5, 6, 7 and 8 in respect of their own beneficial holdings of, in aggregate, 15,000,000 Ordinary Shares, representing approximately 12.06% of the Existing Share Capital.

Yours faithfully

Daron Lee  
*Chairman*

## 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.

##### *Research and development risk*

The Enlarged Group will be engaged in applying the laws of physics to biological systems to develop new technology solutions to address specific market needs identified by the directors of the Company from time to time. The Enlarged Group will therefore be involved in complex scientific areas and industry experience indicates a very high incidence of delay or failure to produce results. The Enlarged Group may not be able to develop new technology solutions 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 new technologies as planned.

##### *High reliance on the founding scientists*

In all areas of the business, the Enlarged Group will be dependent upon the involvement and contribution of Avacta's founding scientists, Professor Alastair Smith, Dr Simon Webster and Dr Kurt Baldwin. 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 objectives.

##### *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 and its collaborators' know-how. The Enlarged Group may not be able to protect and preserve its intellectual property rights or 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 the Enlarged Group's un-patented proprietary technology or disclose such technology or that the Enlarged Group can ultimately protect meaningful rights to such un-patented proprietary 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.

#### *Competition*

The Enlarged Group may face significant competition from organisations which have greater capital resources than the Enlarged Group. There is no assurance that the Enlarged Group will be able to compete successfully in such a marketplace.

#### *Dependence on arrangements with third parties*

The Enlarged Group intends to enter into arrangements with third parties in respect of the development, production, marketing and commercialisation of its products where appropriate. An inability to enter into such arrangements or disagreements between the Enlarged Group and any of its potential collaborators could lead to delays in the Enlarged Group's product development and/or commercialisation plans.

#### *Risk that products will not achieve commercial success*

At Admission the Enlarged Group will not have any technology products available for sale. There can be no assurance that any of the Enlarged Group's products currently in development will be successfully developed into any commercially viable product or products, meet applicable regulatory standards and be manufactured in commercial quantities at an acceptable expense or be marketed successfully and profitably. If the Enlarged Group or its collaborators encounter delays at any stage of development and fail to successfully address such delays there may be a material adverse effect on the Enlarged Group's business, financial condition and results.

In addition, the success of the Enlarged Group will depend on the market's acceptance of its products and there can be no guarantee that this acceptance will be forthcoming. Notwithstanding the technical merits of a product developed by the Enlarged Group, there can be no guarantee that the Enlarged Group's targeted customer base for the product will purchase or continue to purchase the product.

#### *Contracts with government agencies*

Avacta is party to an agreement with a government agency. The government agency has the discretion to terminate the agreement on a change of control of Avacta. This will be triggered by the Acquisition. Termination of the agreement could have an adverse impact on the Enlarged Group's future revenue stream.

## **2. General risks**

#### *EIS and VCT relief*

Provisional clearance has been obtained from HM Revenue & Customs that the Enlarged Group's business qualifies for EIS relief under EIS and as a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief neither the Company, the

Directors nor the Proposed Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company, the Directors nor the Proposed Directors give any warranties or undertakings that EIS relief or VCT relief if granted will not be withdrawn. Investors must take their own advice and rely on it. If the Enlarged Group carries on activities beyond those disclosed to HM Revenue & Customs then shareholders may cease to qualify for the tax benefits outlined in this document.

#### *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 reliefs.

#### *Trading market for the Ordinary Shares*

The market price of the Ordinary 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 for the Ordinary Shares.

#### *Investment risk and AIM*

The Existing Ordinary Shares and the New Ordinary Shares will be quoted 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 quoted 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 Existing Ordinary Shares and the New 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 for which proof of concept is established to enable them to be brought to the market. If the Enlarged Group fails to generate sufficient cash through the provision of its services, then it may 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 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. 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 ON THE COMPANY**

The historical financial information on Readybuy and its subsidiary (“the Group”) is set out in Section A of this Part III. This financial information comprises consolidated information for the Group for the three years ended 30 April 2006. This financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the Company’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 the Group for that period. In preparing that 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 the Group will continue in business.

Section B of this Part III sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

## SECTION A – FINANCIAL INFORMATION RELATING TO THE COMPANY

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April 2004</i>	<i>30 April 2005</i>	<i>30 April 2006</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>	2	19	313
Cost of sales		(38)	(224)
<b>Gross (loss)/profit</b>		(19)	89
Distribution costs		(3)	(20)
Administrative expenses		(321)	(321)
<b>Operating loss</b>	3	(343)	(252)
Provision for loss on discontinued operations	6	—	(804)
<b>Loss before interest and taxation</b>		(343)	(1,056)
Interest receivable	7	6	2
Interest payable	8	(6)	(4)
<b>Loss on ordinary activities before taxation</b>		(343)	(1,058)
Taxation on loss on ordinary activities	9	45	(45)
<b>Retained loss for the financial period/year</b>		(298)	(1,103)
<b>Earnings per share</b>			
— basic and diluted	10	(2.2p)	(6.1p)
<b>Dividends per share</b>		—	—

The Group's trading activities were terminated in July 2005, therefore the above activities for the years ended 30 April 2005 and 30 April 2006 are classified as discontinued.

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.

**CONSOLIDATED BALANCE SHEETS**

	<i>Notes</i>	<i>As at 30 April 2004</i>	<i>As at 30 April 2005</i>	<i>As at 30 April 2006</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>				
Intangible assets	11	646	—	—
Tangible assets	12	218	—	—
		<u>864</u>	<u>—</u>	<u>—</u>
<b>Current assets</b>				
Stocks	14	7	2	—
Debtors	15	82	44	1
Cash at bank and in hand		429	169	32
		<u>518</u>	<u>215</u>	<u>33</u>
<b>Creditors: Amounts falling due within one year</b>	16	(323)	(194)	(19)
<b>Net current assets</b>		<u>195</u>	<u>21</u>	<u>14</u>
<b>Total assets less current liabilities</b>		1,059	21	14
<b>Creditors: Amounts falling due after more than one year</b>	17	(25)	—	—
		<u>1,034</u>	<u>21</u>	<u>14</u>
<b>Capital and reserves</b>				
Called up share capital	19	90	93	96
Share premium account	20	1,242	1,329	1,426
Profit and loss account	21	(298)	(1,401)	(1,508)
<b>Equity shareholders' funds</b>		<u>1,034</u>	<u>21</u>	<u>14</u>

## CONSOLIDATED CASH FLOW STATEMENTS

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April 2004</i>	<i>30 April 2005</i>	<i>30 April 2006</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>
<b>Net cash outflow from operating activities</b>	22(a)	(407)	(80)
<b>Returns on investments and servicing of finance</b>			
Interest received		6	2
Interest paid		(3)	(2)
Interest element of hire purchase		(3)	(2)
Net cash (outflow)/inflow from returns on investments and servicing of finance		—	(2)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(77)	(9)
Receipts from sale of tangible fixed assets		35	1
Net cash (outflow)/inflow from capital expenditure		(42)	(8)
<b>Acquisitions and disposals</b>			
Acquisition costs		(272)	—
Net cash acquired with subsidiary		(6)	—
Net cash outflow from acquisitions and disposals		(278)	—
<b>Net cash outflow before financing</b>		(727)	(90)
<b>Financing</b>			
Repayment of bank loans		(220)	—
Capital element of hire purchase		(19)	(34)
Share capital subscribed		1,169	90
Net cash inflow/(outflow) from financing		930	56
<b>Increase/(decrease) in cash in the year/period</b>		203	(34)
		<b>203</b>	<b>(138)</b>

**RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
Loss for the financial period/year	(298)	(1,103)	(107)
Equity shares issued in the period/year	90	3	3
Share premium on equity shares issued	1,574	97	97
Share premium utilised on bonus issue	(60)	—	—
Costs incurred	(272)	(10)	—
Net addition to/(reduction in) funds	1,034	(1,013)	(7)
Opening shareholders' equity funds	—	1,034	21
Closing shareholders' equity funds	<b>1,034</b>	<b>21</b>	<b>14</b>

## **NOTES TO THE FINANCIAL INFORMATION**

### **1. Accounting policies**

The financial information is prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted by the Group are described below.

In July 2005, due to continuing losses and an uncertain market, the Directors took the decision to cease manufacturing operations in the Group's trading subsidiary, Oriental Fine Foods Limited which ceased to trade. Accordingly the assets and liabilities of the subsidiary undertaking at 30 April 2005 were recorded at their expected recoverable amounts and reclassified as current assets or liabilities as appropriate. These figures were also reflected in these consolidated financial statements in the comparative figures.

The following accounting policies have been applied consistently to the financial information throughout the period/years under review.

#### *Basis of consolidation*

The financial information consolidates the Company and its subsidiary undertaking using acquisition accounting. The results of the subsidiary undertaking are included from the effective date of acquisition. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. Profits or losses on intra-group transactions are eliminated in full.

#### *Turnover*

Turnover represents the amounts derived from the provision of goods and services during the period stated net of Value Added Tax.

#### *Financial instruments*

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value.

Income and expenditure arising on financial instruments is recognised on the accruals basis and charged or credited to the profit and loss account in the period to which it relates.

#### *Goodwill*

Goodwill representing the difference between the fair values of consideration given and net assets acquired is capitalised and amortised through the profit and loss account over its estimated useful economic life up to a maximum of twenty years. In view of the decision in July 2005 to cease business operations in the trading subsidiary, the Directors were of the opinion that the goodwill originally acquired no longer has any value and the balance has therefore been written off as a permanent diminution in value as at 30 April 2005.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost of tangible fixed assets over their useful economic lives as follows:

Leasehold improvements	Over the life of the lease
Plant and machinery	15 years
Fixtures and fittings	15 years reducing balance
Motor vehicles	4 years
Computer equipment	3 years

Following the Directors decision to cease operating activities as outlined above, the Group's tangible fixed assets at 30 April 2005 have been written down to their expected recoverable amounts and reclassified as current assets.

#### *Research and development*

Expenditure on research and development is charged to the profit and loss account as it is incurred.

#### *Investments*

Investments held as fixed assets are stated at cost less provision for any impairment.

## **1. Accounting policies (continued)**

### *Impairment*

The Group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, the impairment loss is recognised in the profit and loss account.

### *Stocks*

Stocks are valued at the lower of cost and estimated net realisable value.

### *Deferred taxation*

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### *Leased assets*

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on inception of the lease and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

The rental costs arising from operating leases are charged to the profit and loss account as the related expenditure is incurred.

## **2. Turnover**

The turnover, operating loss and net assets of the Group are attributable to one class of business. 100% of the turnover (2005: 100%, 2004: 100%) was attributable to the United Kingdom.

## **3. Loss before taxation**

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	30 April 2004	30 April 2005	30 April 2006
	£'000	£'000	£'000
Loss before taxation is stated after charging:			
Amortisation of goodwill	22	33	—
Depreciation of owned fixed assets	24	34	—
Loss on disposal of tangible assets	6	—	—
Research and development written off	30	—	—
Operating lease charges:			
— Land and buildings	4	—	—
Auditors' remuneration:			
— for audit services	8	7	5
— for non-audit services	4	2	—
	<hr/>	<hr/>	<hr/>

In addition to the above, the auditors also received £nil (2005: £nil; 2004: £17,500) in respect of work undertaken in connection with various issues of shares during the period. These costs have been charged against the share premium accounts.

#### 4. Directors and employees

The average number of staff, including Directors, employed during each financial period/year was:

	Period ended 30 April 2004	Year ended 30 April 2005	Year ended 30 April 2006
	Number	Number	Number
Production	2	2	—
Selling, distribution and administration	6	2	4
	<hr/>	<hr/>	<hr/>
	8	4	4
	<hr/>	<hr/>	<hr/>

The Company used sub-contract labour for much of its production.

The aggregate payroll costs of the above employees were:

	Period ended 30 April 2004	Year ended 30 April 2005	Year ended 30 April 2006
	£'000	£'000	£'000
Wages and salaries	76	118	52
Social security costs	10	13	4
Pension costs	6	8	4
Compensation for loss of office	—	—	30
	<hr/>	<hr/>	<hr/>
	92	139	90
	<hr/>	<hr/>	<hr/>

#### 5. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	Period ended 30 April 2004	Year ended 30 April 2005	Year ended 30 April 2006
	£'000	£'000	£'000
Emoluments receivable	68	57	10
Pension contributions	4	7	2
Compensation for loss of office	—	—	30
	<hr/>	<hr/>	<hr/>
	72	64	42
	<hr/>	<hr/>	<hr/>

The number of Directors accruing retirement benefits under money purchase schemes was none (2005: 1; 2004: 1).

#### 6. Provision for loss on discontinued operations

	Period ended 30 April 2004	Year ended 30 April 2005	Year ended 30 April 2006
	£'000	£'000	£'000
Unamortised element of goodwill written off	—	613	—
Write down of fixed assets to expected recoverable amount	—	178	(25)
Write down of stocks to expected recoverable amount	—	13	—
	<hr/>	<hr/>	<hr/>
	—	804	(25)
	<hr/>	<hr/>	<hr/>

**7. Interest receivable and similar income**

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank interest	6	2	1

**8. Interest payable and similar charges**

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest payable on bank overdraft	3	2	—
Interest element of finance lease payments	3	2	—
	<hr/>	<hr/>	<hr/>
	6	4	—
	<hr/>	<hr/>	<hr/>

**9. Taxation**

(a) *Analysis of credit/(charge) in period/year:*

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current taxation:			
UK corporation tax	—	—	—
Deferred taxation	—	—	—
Origination and reversal of timing differences	45	(45)	—
Tax on loss on ordinary activities	<hr/>	<hr/>	<hr/>
	45	(45)	—
	<hr/>	<hr/>	<hr/>

(b) *Factors affecting tax charge for period/year:*

	<i>Period ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss on ordinary activities before tax	<hr/>	<hr/>	<hr/>
	(343)	(1,058)	(107)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2005: 19%; 2004: 19%)	(65)	(201)	(20)
Effects of trading losses carried forward	65	193	60
Capital allowances in excess of depreciation	—	2	(40)
Expenses not deductible	<hr/>	<hr/>	<hr/>
	—	6	—
Current tax charge for the period/year (note 9(a))	<hr/>	<hr/>	<hr/>

At 30 April 2006, the Group had £1,576,507 (2005: £nil; 2004: £349,000) of unrelieved taxable losses.

No deferred tax asset has been provided for the year ended 30 April 2006 due to the uncertainty of future taxable profits.

**10. Earnings per share**

The calculation of earnings per share is based upon the loss after taxation of £107,000 (2005: £1,103,000; 2004: £298,000) divided by the weighted average number of ordinary shares in issue during the period/year which was 19,226,887 (2005: 18,066,870; 2004: 13,585,434).

**11. Intangible fixed assets**

	<i>Goodwill</i> £'000
<b>Cost or valuation</b>	
At 30 April 2004	668
At 30 April 2005	668
At 30 April 2006	668
<b>Amortisation</b>	
At 31 May 2003	—
Charge for the period	22
At 30 April 2004	22
Charge for the year	33
Provision for permanent diminution	613
At 30 April 2005	668
Charge for the year	—
At 30 April 2006	668
<b>Net book value</b>	
As at 30 April 2004	646
As at 30 April 2005	—
As at 30 April 2006	—

## 12. Tangible fixed assets

	<i>Leasehold improvement</i> £'000	<i>Plant &amp; machinery</i> £'000	<i>Fixtures &amp; fittings</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<b>Cost or valuation</b>					
At 2003	90	298	26	—	414
Additions	4	71	25	55	155
Disposals	—	(59)	—	(20)	(79)
At 2004	94	310	51	35	490
Additions	—	7	2	—	9
Disposals	—	(1)	—	—	(1)
Transfer	(94)	(316)	(53)	(35)	(498)
At 2005	—	—	—	—	—
At 2006	—	—	—	—	—
<b>Depreciation</b>					
At 2003	49	221	15	—	285
Charge for the year	6	5	3	10	24
Disposals	—	(33)	—	(4)	(37)
At 2004	55	193	18	6	272
Charge for the year	9	8	8	9	34
Transfer	(64)	(201)	(26)	(15)	(306)
At 2005	—	—	—	—	—
At 2006	—	—	—	—	—
<b>Net book value</b>					
At 2004	39	117	33	29	218
At 2005	—	—	—	—	—
At 2006	—	—	—	—	—

Included within the net book value is £nil (2005: £44,000; 2004: £52,000) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £nil (2005: £10,000; 2004: £7,000).

### 13. Investments

Readybuy Plc owns directly the following subsidiary which is included in the consolidated financial information for the year/period ended 30 April 2006, 30 April 2005 and 30 April 2004. The subsidiary's trading operations ceased in July 2005 and the investment was fully written down at 30 April 2005.

<i>Name</i>	<i>Country of incorporation</i>	<i>Activity</i>	<i>Holding Ordinary shares</i>
Oriental Fine Foods Limited	England and Wales	Manufacturer of chilled foods	100%

### 14. Stock

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
Raw materials and consumables	7	2	—

### 15. Debtors

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
Trade debtors	10	20	—
Other debtors	3	17	1
Prepayments and accrued income	24	7	—
Deferred taxation	45	—	—
	82	44	1

### 16. Creditors: Amounts falling due within one year

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
Bank loans and overdrafts	226	100	1
Hire purchase agreements	34	25	—
Trade creditors	32	39	—
Taxation and social security	4	6	—
Accruals and deferred income	27	24	18
	323	194	19

At 30 April 2005 the bank loans and overdrafts balance relates to a convertible loan.

There are no current overdraft facilities. In previous years, these were supported by a cash collateral arrangement of similar size together with unlimited cross guarantees given by the Company and its subsidiary undertaking.

**17. Creditors: Amounts falling due after more than one year**

	As at 30 April 2004 £'000	As at 30 April 2005 £'000	As at 30 April 2006 £'000
Obligations under hire purchase agreements			
— one to two years	22	—	—
— two to five years	3	—	—
	<hr/>	<hr/>	<hr/>
	25	—	—
	<hr/>	<hr/>	<hr/>

Historical obligations under hire purchase agreements, some of which were guaranteed by the parent company, were secured on the relevant assets.

**18. Provisions for liabilities and charges**

	As at 30 April 2004 £'000	As at 30 April 2005 £'000	As at 30 April 2006 £'000
Deferred taxation (included within debtors)	45	—	—
	<hr/>	<hr/>	<hr/>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	As at 30 April 2004 £'000	As at 30 April 2005 £'000	As at 30 April 2006 £'000
Excess of taxation allowances over depreciation on fixed assets	21	—	—
Tax losses available	(66)	—	—
	<hr/>	<hr/>	<hr/>
	(45)	—	—
	<hr/>	<hr/>	<hr/>

**19. Share capital**

	As at 30 April 2004 £'000	As at 30 April 2005 £'000	As at 30 April 2006 £'000
<b><i>Authorised:</i></b>			
Equity: 40,000,000 ordinary shares of 0.5p each	200	200	200
Non equity: 50,000 redeemable shares of £1 each	50	50	50
	<hr/>	<hr/>	<hr/>
	250	250	250
	<hr/>	<hr/>	<hr/>

***Allotted, issued and fully paid:***

19,327,344 (2005: 18,660,677; 2004: 17,994,010) ordinary shares of 0.5p each	90	93	96
	<hr/>	<hr/>	<hr/>

On incorporation, the Company had an authorised share capital of £1,000 divided into 1,000 Ordinary Shares of £1 each of which one subscriber share was issued fully paid.

On 17 June 2003:

- the existing issued ordinary shares and each of the existing un-issued ordinary shares of £1 were subdivided into 20,000 ordinary shares of 0.005p each;
- the authorised share capital was increased from £1,000 to £250,000 by the creation of 3,980,000,000 ordinary shares of 0.005p each and 50,000 redeemable shares of £1 each;
- the Company issued 14,980,000 ordinary shares of 0.005p credited as fully paid at par and 50,000 redeemable preferences of £1 each, one quarter paid.

On 4 August 2003, the Company:

- issued a further 15,000,000 ordinary shares of 0.005p each at 5p per share;
- made a bonus issue of 40 ordinary shares of 0.005p for every share held by each member. This resulted in the creation of a further 1,200,000,000 ordinary shares of 0.005p each;
- following this, the Company consolidated every 100 ordinary shares of 0.005p each into 1 ordinary share of 0.5p; and
- redeemed the 50,000 redeemable shares of £1 each for cash at par.

On 20 August 2003, a further 1,640,000 ordinary shares of 0.5p each were issued in bundles of 41 shares at £5.00 per bundle.

On 26 August 2003, a further 3,598,802 ordinary shares of 0.5p were issued in connection with the acquisition of Oriental Fine Foods Limited (formerly McDonald Yang Limited).

On 8 September 2003, a further 455,208 ordinary shares of 0.5p each were issued on admission of the Company to the Alternative Investment Market at 48p per share.

On 23 March 2005 the Company raised approximately £100,000 before expenses by issuing 666,667 ordinary shares of 0.5p each at 15p per share. This increased the total number of shares in issue to 18,660,677.

On 25 May 2005 £100,000 of convertible loans were converted in full by the issue of 666,667 ordinary shares of 0.5p each at 15p per share. This increased the total number of shares in issue to 19,327,344.

## **20. Share premium account**

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
At the beginning of the period/year	—	1,242	1,329
Share capital subscribed	1,574	97	97
Share premium utilised on bonus issue	(60)	—	—
Costs incurred	(272)	(10)	—
At the end of the period/year	<u>1,242</u>	<u>1,329</u>	<u>1,426</u>

## **21. Profit and loss account**

	<i>As at 30 April 2004 £'000</i>	<i>As at 30 April 2005 £'000</i>	<i>As at 30 April 2006 £'000</i>
At the beginning of the year	—	(298)	(1,401)
Loss for the financial period/year	<u>(298)</u>	<u>(1,103)</u>	<u>(107)</u>
At the end of the year	<u>(298)</u>	<u>(1,401)</u>	<u>(1,508)</u>

## 22. Cashflows

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

	Period ended 30 April 2004 £'000	Year ended 30 April 2005 £'000	Year ended 30 April 2006 £'000
Operating loss	(343)	(252)	(133)
Amortisation of goodwill	22	33	—
Depreciation of tangible fixed assets	24	34	—
Loss on disposal of fixed assets	6	—	—
Research and development costs written off	30	—	—
(Increase)/decrease in stock	(7)	(8)	2
(Increase)/decrease in debtors	(27)	7	43
(Decrease)/increase in creditors	(112)	106	(51)
<b>Net cash outflow from operating activities</b>	<b>(407)</b>	<b>(80)</b>	<b>(139)</b>

### (b) Reconciliation of net cashflow to movement in net funds

	Period ended 30 April 2004 £'000	Year ended 30 April 2005 £'000	Year ended 30 April 2006 £'000
Increase in cash in the period/year	203	34	(138)
Cash flow in respect of hire purchase agreements	19	(34)	25
Change in net debt arising from cash flows	222	—	(113)
Other changes not arising in movements in cash	(78)	—	100
Movement in net funds for the year	144	—	(13)
Opening net funds	—	144	144
<b>Closing net funds</b>	<b>144</b>	<b>144</b>	<b>131</b>

## 23. Analysis of changes in net funds

	30 April 2004 £'000	Cash flows £'000	30 April 2005 £'000	Cash flows £'000	Other non-cash movements £'000	30 April 2006 £'000
Cash in hand and at bank	429	(260)	169	(137)	—	32
Overdraft	(226)	226	—	(1)	—	(1)
	203	(34)	169	(138)	—	31
Hire purchase	(59)	34	(25)	25	—	—
Debt due within one year	—	(100)	(100)	—	100	—
<b>Net funds</b>	<b>144</b>	<b>(100)</b>	<b>44</b>	<b>(113)</b>	<b>100</b>	<b>31</b>

During the year ended 30 April 2006 £100,000 of convertible loans were converted by the issue of 666,667 ordinary shares.

## **24. Commitments**

### **Capital commitments**

The Group had no capital commitments at the end of the financial year (2005: £nil; 2004: £nil).

### **Operating lease commitments**

The Group was committed to making the following payments during the next year in respect of operating leases for land and buildings expiring:-

	<i>Period</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>
	2004	2005	2006
	£'000	£'000	£'000
Between two and five years	26	26	—

Although the Company had an annual commitment in respect of the rent for its leasehold premises, this was waived. During the year ended 30 April 2006 the subsidiary company has returned the leasehold premises without financial penalty.

## **25. Financial instruments**

The Group's treasury activities are designed to provide suitable, flexible funding arrangements to satisfy the Group's requirements. The Group uses financial instruments comprising borrowings, cash, liquid resources and items such as trade debtors and creditors that arise directly from its operations. The main risks arising from the Group financial instruments are interest rate and liquidity risks. The board reviews policies for managing each of these risks and they are summarised below

The Group finances its operations through a combination of cash resources, financial leases and bank borrowings. Short term flexibility is satisfied by overdraft facilities which are repayable on demand. Exposure and interest rate fluctuations on its borrowings are managed by the use of both fixed and floating facilities. The Group also mixes the duration of its deposits and borrowings to reduce the impact of interest rate fluctuations.

No bank overdraft facilities or financial assets were in place at 30 April 2006. During the year ended 30 April 2006, £100,000 of convertible loans were fully converted by the issue of 666,667 ordinary shares.

At 30 April 2005, the Group's financial instruments comprised fixed interest hire purchase agreements of £25,000. The agreements are secured on the assets to which they relate.

At 30 April 2004 borrowings comprised:

- £226,000 overdraft representing 79% of borrowings at an interest rate of 1% per annum where cash balances of an equal amount or greater exist, at base rate plus 2% per annum where the aggregate balance is equal to the total facility of £230,000 and at 29.5% per annum on any amounts in excess of this. At 30 April 2004 the Group had £4,000 undrawn committed borrowing facilities in respect of the overdraft.
- Fixed interest hire purchase agreements of £59,000. The agreements are secured on the assets to which they relate.

There is no material difference between the fair values and book values of the Groups financial instruments.

Short term debtors and creditors have been excluded from the above disclosures as permitted by FRS 13.

## **26. Related party transactions**

The annual rent commitment of £26,500 due under the terms of a lease to the KM & KS Yeung Partnership was waived throughout the year ended 30 April 2006. Following the decision of the Directors to cease operations in July 2005, the leasehold property was then returned to the KM & KS Yeung Partnership without financial penalty. KS Yeung owns 9.7% (2005: 9.6%, 2004: 10%) and KM Yeung 10% (2005: 9.6%, 2004: 10%) of the Company's issued share capital and KM Yeung was a non-executive director of the Company until 11 April 2006.

Purchases totalling £nil (2005: £34,115; 2004: £5,129) were made from the Yang Sing Restaurant which is owned by KS & KM Yeung. The balance outstanding at 30 April 2006 was £nil (2005: £8,287; 2004: £1,401).

Consultancy fees of £nil (2005: £nil; 2004: £5,833) were paid to KS Yeung. The balance outstanding at the year end was £nil (2005: £nil; 2004: £833).

The Company entered into a consultancy agreement, dated 20 August 2003 with Zeus Partners (“Zeus”) of which KW Salisbury was a partner. Under this agreement, Zeus agreed to provide the services of KW Salisbury as non-executive director to the Company and specifically to monitor the performance of the Company from a shareholder perspective. Fees totalling £nil (2005: £nil; 2004: £109,333) were paid to Zeus for services during the year.

## **27. Contingent liabilities**

The Company was party to an unlimited cross guarantee in respect of the bank borrowings of its subsidiary and, on a net basis, there were no such borrowings at 30 April 2006 (2005: £nil; 2004: £nil). The Company was also party to a guarantee in respect of certain hire purchase indebtedness of its subsidiary. At 30 April 2006 this contingency amounted to £nil (2005: £14,514; 2004: £40,579).

The Company is a member of a group registration for Value Added Tax purposes. Under the terms of this resignation, each member is jointly and severally liable for the Value Added Tax liability for all members. There was no VAT liability at 30 April 2006 (2005: £nil; 2004: £nil).

## **28. Post balance sheet events**

It was resolved at an Extraordinary General Meeting on 5 May 2006 that the authorised share capital of the Company be increased to £300,000 by the creation of 100,000,000 New Ordinary Shares. Further, it was resolved that 105,000,000 New Ordinary 0.1p shares be allotted and issued.

It was also resolved that each of the 19,327,344 issued shares of the company at that date be sub-divided into one New Ordinary Share and one Deferred Share and the 20,672,656 unissued Existing Ordinary Shares be sub-divided into five unissued New Ordinary Shares. All new shares will rank *pari passu* with the New Ordinary 0.1p shares.

On 8 May 2006, 105,000,000 New Ordinary 0.1p Shares were issued for 0.25p to a concert party. This raised £262,500 less issue costs of £12,500, in order to finance the costs of further potential acquisitions.

The concert party is a group of mainly high net worth individuals, many of whom have previously invested in private and public companies.

## **SECTION B – ACCOUNTANTS’ REPORT ON THE COMPANY**

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



**BAKER TILLY**  
Brazenose House  
Lincoln Square  
Manchester  
M2 5BL

The Directors  
Readybuy Plc  
10-12 Mount Street  
Manchester  
M2 5NT

13 July 2006

Dear Sirs

### **Financial information on Readybuy plc and its subsidiaries**

We report on the financial information set out in Section A of Part III. This financial information has been prepared for inclusion in the Admission Document of Readybuy plc dated 13 July 2006 (“the Admission Document”) on the basis of the accounting policies set out in Note 1. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in Part III, the directors of Readybuy plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with UK Financial Reporting Standards.

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 Readybuy plc and its subsidiaries as at the dates stated and of the profits and losses, cash flows and recognised gains and losses and changes in equity for the periods then ended.

**Declaration**

For the purposes of compliance with item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of 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 England and Wales*

## **PART IV**

### **FINANCIAL INFORMATION ON AVACTA**

The historical financial information for Avacta and its subsidiary (the “Avacta Group”) is set out in Section A of this Part IV. This financial information comprises consolidated information for the Avacta Group for the period ended 31 July 2004, the year ended 31 July 2005 and the 8 month period ended 31 March 2006. This financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the Company’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 the Avacta Group for that period. In preparing that 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 the Group will continue in business.

Section B of this Part IV sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

## SECTION A – FINANCIAL INFORMATION RELATING TO AVACTA

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Notes</i>	<i>26 January 2004 to 31 July 2004</i>	<i>Year ended 31 July 2005</i>	<i>1 August 2005 to 31 March 2006</i>
<b>Turnover — continuing operations</b>	2	24,427	68,412	158,811
Total administrative expenses		(5,105)	(91,477)	(252,816)
Other operating income	4	—	—	20,000
<b>Operating profit/(loss) continuing operations</b>		19,322	(23,065)	(74,005)
Interest receivable	3	37	952	6,010
<b>Profit/(loss) on ordinary activities before taxation</b>	4	19,359	(22,113)	(67,995)
Taxation on profit/(loss) on ordinary activities	7	(3,700)	2,568	—
<b>Profit/(loss) for the financial period/year</b>		15,659	(19,545)	(67,995)

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.

**CONSOLIDATED BALANCE SHEETS**

	<i>Notes</i>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
<b>Fixed assets</b>				
Tangible assets	9	— — —	2,444 2,444 —	12,764 12,764 —
<b>Current assets</b>				
Debtors	11	12,703	82,142	46,767
Cash at bank and in hand		24,393	32,957	306,047
		37,096	115,099	352,814
<b>Creditors: Amounts falling due within one year</b>	12	(21,436)	(121,329)	(80,807)
<b>Net current assets/(liabilities)</b>		15,660	(6,230)	272,007
<b>Net assets/(liabilities)</b>		15,660	(3,786)	284,771
<b>Capital and reserves</b>				
Called up equity share capital	14	1	100	147
Share premium account	16	—	—	356,505
Profit and loss account	17	15,659	(3,886)	(71,881)
<b>Shareholders' funds/(deficit) — equity</b>		15,660	(3,786)	284,771

**COMPANY BALANCE SHEETS**

	<i>Notes</i>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
<b>Fixed assets</b>				
Tangible assets	9	—	2,444	12,196
Investments	10	—	1	1
		—	2,445	12,197
<b>Current assets</b>				
Debtors	11	12,703	81,142	111,803
Cash at bank and in hand		24,393	32,957	189,966
		37,096	114,099	301,769
<b>Creditors: Amounts falling due within one year</b>	12	(21,436)	(121,326)	(69,096)
<b>Net current assets/(liabilities)</b>		15,660	(7,227)	232,673
<b>Net assets/(liabilities)</b>		15,660	(4,782)	244,870
<b>Capital and reserves</b>				
Called up equity share capital	14	1	100	147
Share premium account	16	—	—	356,505
Profit and loss account	17	15,659	(4,882)	(111,782)
<b>Shareholders' funds/(deficit) — equity</b>		15,660	(4,782)	244,870

**CONSOLIDATED CASH FLOW STATEMENTS**

	<i>Notes</i>	<i>26 January 2004 to 31 July 2004</i>	<i>Year ended 31 July 2005</i>	<i>1 August 2005 to 31 March 2006</i>
<b>Net cash inflow/(outflow) from operating activities</b>	18	28,055	7,389	(78,263)
<b>Returns on investments and servicing of finance</b>				
Interest received		37	952	6,010
<b>Taxation</b>		(3,700)	2,568	—
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		—	(2,444)	(11,208)
<b>Net cash inflow/(outflow) before financing</b>		24,392	8,465	(83,461)
<b>Financing</b>				
Share capital subscribed		1	99	356,551
<b>Increase in cash in the period/year</b>	18	<b>24,393</b>	<b>8,564</b>	<b>273,090</b>

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

<b>Group</b>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Profit/(loss) for the financial period/year	15,659	(19,545)	(67,995)
Share capital subscribed	1	99	356,552
<hr/>	<hr/>	<hr/>	<hr/>
Net addition to/(reduction in) funds	15,660	(19,446)	288,557
Opening shareholders' equity funds	—	15,660	(3,786)
<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' equity funds	<b>15,660</b>	<b>(3,786)</b>	<b>284,771</b>
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Profit/(loss) for the financial period/year	15,659	(20,541)	(106,900)
Share capital subscribed	1	99	356,552
<hr/>	<hr/>	<hr/>	<hr/>
Net addition to/(reduction in) funds	15,660	(20,442)	249,652
Opening shareholders' equity funds/(deficit)	—	15,660	(4,782)
<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' equity funds/(deficit)	<b>15,660</b>	<b>(4,782)</b>	<b>244,870</b>
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE FINANCIAL INFORMATION**

### **1. Accounting policies**

The following accounting policies have been applied consistently to the financial information.

#### *Basis of accounting*

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

#### *Basis of consolidation*

The consolidated financial information incorporate the accounts of the Avacta and Avacta Analytical undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over its useful economic life from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

#### *Turnover*

Turnover represents the invoiced value, net of Value Added Tax, of analytical services provided to customers outside the group. Turnover is derived entirely from the group's principal activities.

#### *Tangible fixed assets*

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its estimated useful life as follows:

Computer Laboratory Equipment            33% per annum straight line

#### *Investments*

Fixed asset investments are stated at cost. Provision is made for any permanent diminution in the value of fixed asset investments.

#### *Research and development*

All research and other development costs are written off as incurred.

#### *Operating lease agreements*

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

#### *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 that 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 the company'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.

#### *Retirement benefits*

The group operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **2. Segmental reporting**

Turnover and profit before taxation were all derived from the Avacta Group's principal activity of analytical services. 100% of the turnover (2005: 100%; 2004: 100%) was attributable to the United Kingdom.

**3. Interest receivable and similar income**

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Bank interest	37	952	6,010
	<hr/>	<hr/>	<hr/>

**4. Profit/(loss) on ordinary activities before taxation**

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation of owned fixed assets	—	—	888
Grant income	—	—	20,000
	<hr/>	<hr/>	<hr/>

The costs and revenues shown in the profit and loss account relate directly or indirectly to the principal activity of research and development.

Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services:

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Audit services			
— Statutory audit	500	1,250	1,250
Tax services			
— Compliance services	500	750	750
	<hr/>	<hr/>	<hr/>
	1,000	2,000	2,000
	<hr/>	<hr/>	<hr/>

## 5. Directors and employees

The average number of staff, (including directors), employed during each financial year/period was:

	<i>26 January 2004 to 31 July 2004</i>	<i>Year ended 31 July 2005</i>	<i>1 August 2005 to 31 March 2006</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Number of administrative staff	1	1	2
Number of sales and development staff	3	3	5
	<b>4</b>	<b>4</b>	<b>7</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>

The aggregate payroll costs of the above employees were:

	<i>26 January 2004 to 31 July 2004</i>	<i>Year ended 31 July 2005</i>	<i>1 August 2005 to 31 March 2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	3,000	50,947	127,999
Social security costs	232	2,245	14,685
	<b>3,232</b>	<b>53,192</b>	<b>142,684</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>

## 6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	<i>26 January 2004 to 31 July 2004</i>	<i>Year ended 31 July 2005</i>	<i>1 August 2005 to 31 March 2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Emoluments receivable	3,000	50,947	76,599
Fees	—	—	4,500
Pension contributions	—	—	—
	<b>3,000</b>	<b>50,947</b>	<b>81,099</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>

## 7. Taxation

### (a) Analysis of (credit)/charge in period:

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	I August 2005 to 31 March 2006
	£	£	£
Based on the result for the period:			
UK corporation tax	3,700	(2,569)	—
Adjustment in respect of earlier years	—	1	—
Tax on profit on ordinary activities (note 7b)	<u>3,700</u>	<u>(2,568)</u>	<u>—</u>

### (b) Factors affecting tax charge for period:

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	I August 2005 to 31 March 2006
	£	£	£
Profit/(Loss) on ordinary activities before tax	<u>19,359</u>	<u>(22,113)</u>	<u>(67,995)</u>
Profit/(Loss) on ordinary activities multiplied by the small company rate of corporation tax of 19% (2005: 19%; 2004: 19%)	3,678	(4,201)	(12,919)
Expenses not deductible for tax purposes	22	65	—
Depreciation in excess of capital allowances	—	(233)	—
Marginal relief	—	(176)	—
Research and development tax relief enhancement	—	(987)	—
Under-provision in prior years	—	1	—
Losses utilised against research and development tax credit	—	2,963	—
Losses carried forward	—	—	12,919
Current tax charge for the period/year	<u>3,700</u>	<u>(2,568)</u>	<u>—</u>

## 8. Profit attributable to members of the parent company, Avacta Limited

The loss dealt within the accounts of Avacta Limited was £106,900 (2005: loss of £20,541, 2004: profit of £15,659).

## 9. Tangible fixed assets

	<i>Computer equipment</i>	
	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>
<b>Cost or valuation</b>		
At 26 January 2004	—	—
At 31 July 2004	—	—
Additions	2,444	2,444
At 31 July 2005	2,444	2,444
Additions	11,208	10,630
At 31 March 2006	13,652	13,074
<b>Depreciation</b>		
At 26 January 2004	—	—
Charge for the period	—	—
At 31 July 2004	—	—
Charge for the year	—	—
At 31 July 2005	—	—
Charge for the period	888	878
At 31 March 2006	888	878
<b>Net book value</b>		
At 31 July 2004	—	—
At 31 July 2005	2,444	2,444
At 31 March 2006	12,764	12,196

## 10. Investments

<b>Company</b>	<i>Unlisted investments</i>	<i>£</i>
<b>Cost and net book value</b>		
At 31 January 2004	—	—
Additions	—	—
At 31 July 2004	—	—
Additions	1	1
At 31 July 2005	—	—
Additions	—	—
At 31 March 2006	1	1

Avacta owns directly the following subsidiary which is included in the consolidated financial information for the year ended 31 July 2005 and the period ended 31 March 2006.

<i>Name</i>	<i>Country of incorporation</i>	<i>Activity</i>	<i>Holding Ordinary shares</i>
Avacta Analytical Limited	England and Wales	Contract research	100%

## 11. Debtors

<b>Group</b>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Trade debtors	12,702	16,497	6,570
Other debtors	1	65,645	40,197
	<b>12,703</b>	<b>82,142</b>	<b>46,767</b>
<b>Company</b>			
	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Trade debtors	12,702	15,322	—
Amounts owed by subsidiary undertaking	—	—	71,605
Other debtors	1	65,820	40,198
	<b>12,703</b>	<b>81,142</b>	<b>111,803</b>

## 12. Creditors: Amounts falling due within one year

<b>Group</b>	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Trade creditors	59	62,359	58,184
Taxation and social security	4,777	137	15,721
Other creditors	16,600	58,833	5,402
Accruals and deferred income	—	—	1,500
	<b>21,436</b>	<b>121,329</b>	<b>80,807</b>
<b>Company</b>			
	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Trade creditors	59	62,359	55,596
Amounts owed to subsidiary undertaking	—	1	1
Taxation and social security	4,777	—	6,597
Other creditors	16,600	58,966	5,402
Accruals and deferred income	—	—	1,500
	<b>21,436</b>	<b>121,326</b>	<b>69,096</b>

## 13. Commitments under operating leases

At each financial period/year end, the Group and Company had annual commitments under non-cancellable operating leases as set out below.

	<i>As at 31 July 2004</i>	<i>As at 31 July 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
<i>Land and buildings</i>			
Within one year	—	15,836	3,443

#### 14. Share capital

##### Group and Company

	As at 31 July 2004	As at 31 July 2005	As at 31 March 2006
	£	£	£
<i>Authorised</i>			
1,000,000 ordinary shares of 0.1p each (2005: 1,000 ordinary shares of £1 each, 2004: 1,000 ordinary shares of £1 each)	1,000	1,000	1,000
<i>Allotted, called up and fully paid</i>			
147,389 ordinary shares of 0.1p each (2005: 100 ordinary shares of £1 each, 2004: 1 ordinary share of £1)	1	100	147

The following share transactions occurred during the period:

- On incorporation on 26 January 2004 the authorised share capital was 100 ordinary shares of £1 each.
- On 26 January 2004 1 ordinary share of £1 was issued at par.
- On 24 November 2004 99 shares of £1 each were issued at par.
- On 9 August 2005 the authorised share capital was sub-divided into 1,000,000 ordinary shares of 0.1p each.
- On 9 August 2005 41,043 ordinary shares of 0.1p each were issued at £7.50 per share plus a loan cancellation of £27,050 giving a share premium of £334,831.
- On 1 February 2006, 4,936 ordinary shares at 0.1p each were issued at £2.25 per share giving a share premium of £11,101
- On 1 February 2006, 1,410 ordinary shares at 0.1p each were issued at £7.50 per share giving a share premium of £10,573

#### 15. Share schemes

##### Unapproved Share Option Plan 2006

The Unapproved Share Option Plan 2006 was adopted on 20 January 2006. Options granted under this scheme may be exercised, subject to certain restrictions, from the date of grant, up to ten years from grant for eligible employees.

Options over Avacta shares outstanding at 31 March 2006 were as follows:

Options at 1 August 2005	Options granted in year	Options lapsed in year	Options exercised in year	Options at 31 March 2006	Exercise price (pence)	Date from which exercisable	Expiry date
—	4,936	—	(4,936)	—	225.00	On float, sale or significant transaction	10 years from date of grant

The market price of the shares at 31 March 2006 and throughout the period from 1 August 2005 to 31 March 2006 was equal to cost.

##### EMI Share Option Scheme

The EMI Share Option Scheme was adopted on 31 January 2006. Options granted under this scheme may be exercised, subject to certain restrictions, from the date of grant, up to ten years from grant for eligible employees.

Options over Avacta shares outstanding at 31 March 2006 were as follows:

Options at 1 August 2005	Options granted in period	Options lapsed in period	Options exercised in period	Options at 31 March 2006	Exercise price (pence)	Date from which exercisable	Expiry date
—	7,755	—	—	7,755	187.50	On float, sale or significant transaction	10 years from date of grant

The market price of the shares at 31 March 2006 and throughout the period from 1 August 2005 to 31 March 2006 was equal to cost.

#### 16. Share premium account

##### Group and Company

	As at 31 July 2004	As at 31 July 2005	As at 31 March 2006
	£	£	£
At the beginning of the period/year	—	—	—
Share capital subscribed	—	—	356,505
At the end of the period/year	—	—	356,505

#### 17. Profit and loss account

##### Group

	As at 31 July 2004	As at 31 July 2005	As at 31 March 2006
	£	£	£
At the beginning of the period/year	—	15,659	(3,886)
Profit/(loss) for the financial period/year	15,659	(19,545)	(67,995)
At the end of the period/year	15,659	(3,886)	(71,881)

##### Company

	As at 31 July 2004	As at 31 July 2005	As at 31 March 2006
	£	£	£
At the beginning of the period/year	—	15,659	(4,882)
Profit/(loss) for the financial period/year	15,659	(20,541)	(106,900)
At the end of the period/year	15,659	(4,882)	(111,782)

#### 18. Cashflows

##### (a) Reconciliation of operating profit to net cash inflow from operating activities

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Operating profit/(loss)	19,322	(23,065)	(74,005)
Depreciation	—	—	888
(Increase)/decrease in debtors	(12,703)	(69,439)	35,375
Increase/(decrease) in creditors	21,436	99,893	(40,521)
Net cash inflow/(outflow) from operating activities	28,055	7,389	(78,263)

##### (b) Reconciliation of net cashflow to movement in net debt

	26 January 2004 to 31 July 2004	Year ended 31 July 2005	1 August 2005 to 31 March 2006
	£	£	£
Increase in cash in the period/year	24,393	8,564	273,090
Movement in funds during the period/year	24,393	8,564	273,090
Opening net funds	—	24,393	32,957
Closing net funds	24,393	32,957	306,047

## 18. Cashflows (continued)

### (c) Analysis of net debt

	Opening balance	Cashflows	Other changes	Closing balance
<i>Period ended 31 July 2004</i>				
Cash at bank and in hand	—	24,393	—	24,393
<i>Period ended 31 July 2005</i>				
Cash at bank and in hand	24,393	8,564	—	32,957
<i>Period ended 31 March 2006</i>				
Cash at bank and in hand	32,957	273,090	—	306,047

## 19. Financial instruments

### Fair value of financial instruments used for risk management

Avacta's financial instruments comprise borrowings, cash and liquid resources and various net working capital items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to fund that part of the company's operations not funded by way of equity and retained earnings.

The main risks associated with the company's financial instruments are interest rate risk and liquidity risk.

Short-term debtors and creditors are excluded from these disclosures.

All financial assets and liabilities are stated in the accounts at their fair value. As all financial assets and liabilities are at floating rates of interest, there is no difference between fair value and book values of Avacta's financial instruments, calculated on a discounted cash flow basis.

The fair value of Avacta's financial instruments are as follows:

	31 July 2004		31 July 2005		31 March 2006	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£	£	£	£	£	£
Cash at bank and in hand	24,393	24,393	32,957	32,957	306,047	306,047

### Interest rate exposure of financial assets and liabilities

The interest rate exposure of the financial assets of Avacta are as follows:

	31 July 2004				31 July 2005				31 March 2006			
	Fixed rate	Floating rate	Non interest bearing	Total	Fixed rate	Floating rate	Non interest bearing	Total	Fixed rate	Floating rate	Non interest bearing	Total
	£	£	£	£	£	£	£	£	£	£	£	£
Sterling	—	24,393	—	24,393	—	32,957	—	32,957	—	306,047	—	306,047

The floating cash deposits bear interest based on relevant national LIBOR equivalents.

	31 July 2004			31 July 2005			31 March 2006		
	Net operating assets, dividends and tax balances	Net operating liabilities	Total net assets	Net operating assets, dividends and tax balances	Net operating liabilities	Total net assets	Net operating assets, dividends and tax balances	Net operating liabilities	Total net assets
	£	£	£	£	£	£	£	£	£
Sterling	37,096	(21,436)	15,660	117,543	(121,329)	(3,786)	365,578	(80,807)	284,771

## **20. Related party transactions**

Avacta has taken advantage of the exemption contained in Financial Reporting Standard No. 8 from disclosing group transactions and balances on the grounds that consolidated accounts are prepared.

Transactions with related parties are as follows:

	<i>Sales</i>	<i>Purchases</i>	<i>Loans</i>	<i>Debtor/ (Creditor) Balance at end of period</i>
	£	£	£	£
<i>Techtran Group Ltd (Shareholder)</i>				
2006	—	—	—	—
2005	—	(65,750)	(10,450)	(83,350)
2004	—	—	(16,600)	(16,600)
<i>University of Leeds (Shareholder)</i>				
2006	—	(9,501)	—	—
2005	—	(1,668)	—	—
2004	—	—	—	—

## **21. Ultimate controlling party**

The following are the controlling shareholders in Avacta as at 20 June 2006 as a result of controlling, directly or indirectly the stated number of shares:

	<i>Number of shares</i>	<i>Percentage holding %</i>
Techtran Group Ltd	55,308	37%
University of Leeds	19,000	13%
DA Smith	15,598	10%

## **SECTION B – ACCOUNTANTS’ REPORT ON AVACTA**

The following is the full text of a report on Avacta from Baker Tilly, the Reporting Accountants, to the Directors.



**BAKER TILLY**

Brazenose House  
Lincoln Square  
Manchester  
M2 5BL

The Directors  
Readybuy plc  
10-12 Mount Street  
Manchester  
M2 5NT

13 July 2006

Dear Sirs

### **Financial information on Avacta Limited and its subsidiaries**

We report on the financial information set out in Section A of Part IV. This financial information has been prepared for inclusion in the Admission Document of Readybuy plc dated 13 July 2006 (“the Admission Document”) on the basis of the accounting policies set out in Note 1. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in Part IV, the Directors are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with UK Financial Reporting Standards.

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 Avacta and its subsidiaries as at the dates stated and of the profits and losses, cash flows and recognised gains and losses and changes in equity for the periods then ended.

**Declaration**

For the purposes of compliance with item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of 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 England and Wales*

## PART V

### UNAUDITED PRO FORMA STATEMENT OF THE CONSOLIDATED NET ASSETS OF THE ENLARGED GROUP

#### SECTION A – PRO FORMA STATEMENT

Set out below is an unaudited pro forma statement of the consolidated net assets of the Enlarged Group which has been prepared to show the impact on the net assets of the Readybuy Group of the proposed acquisition of Avacta and its subsidiary. The pro forma statement is based on:

- the audited consolidated balance sheet of the Readybuy Group as at 30 April 2006 set out in Part III of this document; and
- the audited consolidated balance sheet of Avacta and its subsidiary as at 31 March 2006 set out in Part IV of this document.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Enlarged Group.

	<i>The Company</i> <i>30 April 2006</i>	<i>Avacta</i> <i>31 March 2006</i>	<i>Impact of net proceeds</i> <i>(1)</i>	<i>Impact of net proceeds</i> <i>(2)</i>	<i>Goodwill</i> <i>£000</i>	<i>Proforma Net assets</i> <i>£000</i>
			<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Fixed assets</b>						
Tangible assets	—	13	—	—	—	13
Intangible assets	—	—	—	—	10,965	10,965
<b>Total fixed assets</b>	—	13	—	—	10,965	10,978
<b>Current assets</b>						
Prepayments	—	—	—	—	—	—
VAT recoverable	—	—	—	—	—	—
Cash at bank	32	306	638	250	—	1,226
Other debtors	—	40	—	—	—	40
Trade debtors	—	7	—	—	—	7
<b>Total current assets</b>	32	353	638	250	—	1,273
<b>Current liabilities</b>						
Creditors, accruals and provisions	(18)	(7)	—	—	—	(25)
Social security and taxes	—	(16)	—	—	—	(16)
Trade creditors	—	(58)	—	—	—	(58)
<b>Total current liabilities</b>	(18)	(81)	—	—	—	(99)
<b>Net current assets</b>	14	272	638	250	—	1,174
<b>Total assets less current liabilities</b>	14	285	638	250	10,965	12,152
<b>Net assets</b>	14	285	638	250	10,965	12,152

Notes:

1. The gross proceeds of the Placing are estimated to be £1,012,500 with estimated expenses of £375,000.
2. On 8 May 2006 the Company raised £250,000 net of costs, by way of a placing of ordinary shares.
3. No adjustments have been made to reflect the trading results of the Readybuy Group since 30 April 2006, the date to which the financial information set out in Part III of this document was prepared.
4. No adjustments have been made to reflect the trading results of Avacta and its subsidiaries since 31 March 2006, the date to which the historical financial information set out in Part IV of this document was prepared.
5. Goodwill on acquisition based on 500,000,000 shares at 2.25p per share acquiring consolidated net assets of Avacta of £284,771.

## **SECTION B – ACCOUNTANTS’ REPORT**

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

The Directors  
Readybuy plc  
10-12 Mount Street  
Manchester  
M2 5NT

13 July 2006

Dear Sirs

### **READYBUY PLC (“the Company”)**

We report on the pro forma net assets statement (the “Pro forma Financial Information”) set out in Part V of the Admission Document of Readybuy plc dated 13 July 2006 (“Admission Document”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 30 April 2006. This report is required by Paragraph 20.2 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of Company to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the AIM Rules, 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 and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

#### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of 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 England and Wales*

**PART VI**

**INFORMATION RELATING TO IP GROUP**

**1. Nature of business**

IP Group acts as a holding company for its subsidiaries. The business of the IP Group and its subsidiaries is the commercialisation and exploitation of intellectual property via the formation of long-term partnerships with universities and the management of venture capital funds focused on early-stage technology companies.

**2. The Directors**

The directors of IP Group are as follows:

Alan John Aubrey  
Christopher Roger Ettrick Brooke  
Stephen Brooke  
Dr David Bruce Campbell  
Dr Alison Margaret Fielding  
Magnus James Goodlad  
David Norwood  
Professor William Graham Richards  
Dr Bruce Gordon Smith

**3. Registered office**

The registered office of IP Group is at Warwick Court, 5 Paternoster Square, London EC4M 7BP.

**4. Financial and trading prospects**

Since 31 December 2005, Syntopix Group plc (“Syntopix”) and Oxford Catalysts Group plc (“Oxford Catalysts”) have floated on AIM generating an unrealised fair value gain for IP Group of £1 million in respect of Syntopix, and an unrealised fair value gain for IP Group of £15 million and a realised gain of £2 million in respect of Oxford Catalysts. Ilika Technologies Limited (“Ilika”) and Oxford Nanolabs Limited (“Oxford Nanolabs”) have completed private placements generating unrealised fair value gains for IP Group of £5.5 million in respect of Ilika and £10.3 million in respect of Oxford Nanolabs. IP Group’s cash resources as at 31 May 2006 (extracted from IP Group’s unaudited management information as at 31 May 2006) amounted to £56.6 million following a successful £16.8 million placing in May 2006. IP Group will continue to seek to control costs and cover operating costs with revenues from advisory and fund management services and from interest on cash balances.

**5. Financial information**

*Nature of financial information*

The financial information in this Part VI does not constitute the statutory audited financial statements of IP Group within the meaning of section 240 of the Act but has been extracted from the statutory audited financial statements of IP Group for three financial years ended 31 December 2005. The auditor of IP Group for the three financial years ended 31 December 2005, BDO Stoy Hayward LLP, has made reports under section 235 of the Act in respect of each set of statutory audited financial statements and each such report was an unqualified report and did not contain a statement under Section 237(2) or (3) of the Act.

## CONSOLIDATED INCOME STATEMENT

For the years ended 31 December

	2005 £'000	2004 £'000	2003 £'000
Turnover	<u>1,682</u>	<u>1,183</u>	<u>222</u>
Equity investments			
Fair value gains	14,107	24,249	1,486
Fair value losses	(8,370)	(235)	—
Surplus on disposal of equity investments	762	790	—
Dividends	209	—	—
	<u>6,708</u>	<u>24,804</u>	<u>1,486</u>
Administrative expenses			
Accrual for employee bonuses	(1,174)	(4,202)	(260)
Other administrative expenses	(3,355)	(2,392)	(1,423)
	<u>(4,529)</u>	<u>(6,594)</u>	<u>(1,683)</u>
Operating profit (loss)	3,861	19,393	25
Finance income — interest receivable	1,744	1,616	474
Profit before taxation	5,605	21,009	499
Taxation	—	37	—
Profit attributable to equity holders of the parent	<u>5,605</u>	<u>21,046</u>	<u>499</u>
Basic earnings per ordinary share	<u>12.58p</u>	<u>51.61p</u>	<u>1.66p</u>
Diluted earnings per ordinary share	<u>12.27p</u>	<u>49.90p</u>	<u>1.61p</u>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2003, 31 December 2004 and 31 December 2005

	2005 £'000	2004 £'000	2003 £'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	91	55	27
Intangible assets:			
Goodwill	18,403	2,091	—
Acquired intangible assets	605	757	—
Investment in patents	14	15	12
Equity rights and related contract costs	20,202	20,170	20,190
Equity investments	44,255	35,536	7,969
Financial asset	1,337	—	—
Investment in limited partnerships	84	87	—
Total non-current assets	<u>84,991</u>	<u>58,711</u>	<u>28,198</u>
Current assets			
Trade and other receivables	1,957	2,271	419
Cash and cash equivalents	<u>39,947</u>	<u>34,801</u>	<u>38,245</u>
Total current assets	<u>41,904</u>	<u>37,072</u>	<u>38,664</u>
Total assets	<u><u>126,895</u></u>	<u><u>95,783</u></u>	<u><u>66,862</u></u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders			
Called up share capital	4,575	4,129	4,064
Share premium account	73,294	59,605	58,972
Merger reserve	12,797	783	—
Retained earnings	<u>29,113</u>	<u>23,264</u>	<u>1,918</u>
Total equity	<u>119,779</u>	<u>87,781</u>	<u>64,954</u>
Non-current liabilities			
Trade and other payables	3,564	3,534	835
Provisions	<u>539</u>	<u>1,123</u>	<u>249</u>
Total equity and non-current liabilities	<u>123,882</u>	<u>92,438</u>	<u>66,038</u>
Current liabilities			
Trade and other payables	<u>3,013</u>	<u>3,345</u>	<u>824</u>
Total equity and liabilities	<u><u>126,895</u></u>	<u><u>95,783</u></u>	<u><u>66,862</u></u>

## CONSOLIDATED CASH FLOW

For the year ended 31 December

	2005 £'000	2004 £'000	2003 £'000
<b>Operating activities</b>			
Operating profit (loss)	3,861	19,393	25
Depreciation of property, plant and equipment	37	35	25
Fair value movements in equity investments	(5,737)	(24,014)	(1,486)
Amortisation of intangible non-current assets	216	96	20
Decrease/(Increase) in trade and other receivables	262	(736)	(372)
(Decrease)/Increase in trade and other payables and provisions	(1,689)	3,689	777
Profit on disposal of equity investments	(762)	(790)	—
Dividends	(209)	—	—
Profit on disposal of property, plant and equipment	—	6	—
Share-based payment charge	282	300	303
<b>Net cash from operating activities</b>	<b>(3,739)</b>	<b>(2,021)</b>	<b>(708)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(65)	(34)	(17)
Purchase of equity investments	(4,209)	(3,728)	(1,818)
Financial asset	(1,400)	—	—
Purchase of subsidiary undertaking	(3,545)	(911)	—
Net cash acquired with subsidiary	1,838	230	—
Proceeds from sale of equity investments	762	965	—
Dividend received	209	—	—
Interest received	1,346	1,374	474
<b>Net cash used in investing activities</b>	<b>(5,064)</b>	<b>(2,104)</b>	<b>(1,361)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	13,949	681	35,926
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,146</b>	<b>(3,444)</b>	<b>33,857</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>34,801</b>	<b>38,245</b>	<b>4,388</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>39,947</b>	<b>34,801</b>	<b>38,245</b>

## **NOTES TO THE FINANCIAL INFORMATION**

### **Accounting Policies**

#### ***Basis of preparation***

This financial information has been prepared in accordance International Financial Reporting Standards as adopted by the European Union ("IFRS"), Standing Interpretations Committee ("SIC") interpretations and International Financial Interpretations Committee ("IFRIC") interpretations that have been endorsed by the European Union for the year ended 31 December 2005. They have also been prepared in accordance with those parts of the Companies Act, 1985 that apply to companies reporting under IFRS.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at respective balance sheet dates and the amount of profits during the reported period.

#### ***Basis of consolidation***

##### ***Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is established by the Group.

The purchase method of accounting is used to account for the acquisition of the Group's subsidiaries. The cost of acquisition is measured at fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the transaction. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

##### ***Associates***

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% to 50% of the voting rights.

The Group's principal activity is akin to that of a venture capital organisation, and as such investments in associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement and upon initial recognition are designated as at fair value through profit or loss.

##### ***Revenue recognition***

In the years ended 31 December 2004 and 31 December 2005 turnover comprised fees for advisory work and fund management services. In the year ended 31 December 2003 turnover comprised of fees for advisory work. Turnover is recognised in the income statement when the related services are performed. All turnover is generated within the United Kingdom and is stated exclusive of value added tax.

##### ***Property, plant and equipment***

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Fixtures and fittings	Over 3 to 5 years
Computer equipment	Over 3 to 5 years
Motor vehicles	Over 1 to 5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## ***Intangible assets***

### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

### *Acquired intangible assets — business combinations*

Intangible assets that are acquired as a result of a business combination and that can be separately measured at fair value on a reliable basis, are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the income statement over their expected useful economic lives.

### *Patents*

Patents are measured at cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful economic lives.

### *Impairment of intangible assets*

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cashflows (cash generating units).

### *Equity rights*

Equity rights represents consideration paid to the University of Oxford between December 2000 and June 2001.

The payment gives the Group the right to purchase 50% of the University's equity in any spin-out company created from the University's Chemistry Department. The contract expires on 23 November 2015.

The equity rights agreement is considered to be a derivative contract and is classified as a held for trading financial instrument with changes in fair value recognised in the income statement.

The directors have not been able to determine a reliable fair value for this financial instrument at either 1 January 2003 or subsequent reporting dates due to what are considered to be immeasurable variables:

- The timing and number of spin-out companies;
- Dilution rates as a result of financing for spin-out companies in the future;
- IPO valuations; and
- Disposal values and timings.

Until such time as the directors are able to compute a reliable fair value, the equity rights are carried at cost less provision for impairment.

The directors review equity rights for impairment annually and if there is objective evidence of an impairment then a provision would be charged to the income statement.

### *Contract costs*

Contract costs comprise related costs to secure the University of Oxford equity rights and other university partnership arrangements. These costs are amortised over the life of the respective partnership.

### *Segment reporting*

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to different risks and returns from other segments in other economic environments.

### *Equity investments*

The Group classifies all its equity investments as financial assets at fair value through profit or loss. Investments in associated undertakings that are held by the Group with a view to the ultimate realisation of capital gains are designated as financial assets at fair value through profit or loss in recognition of the Group's principal trading activity being that of a venture capital organisation. Investments in undertakings that do not meet the definition of an associate undertaking are also designated as financial assets at fair value through profit or loss on initial recognition.

### *Treatment of gains and losses arising on fair value*

Realised and unrealised gains on financial assets at fair value through profit or loss are included in the income statement in the period they arise.

The fair values of quoted investments are based on bid prices at the balance sheet date.

The fair value of unlisted securities is established using British Venture Capital Association ("BVCA") guidelines. The valuation methodology used most commonly by the Group is the 'price of recent investment' contained in the BVCA valuation guidelines. The following considerations are used when calculating the fair value using the 'price of recent investment' guidelines:

- Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value;
- Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation;
- If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies in the BVCA guidelines being principally discounted cashflows and price earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cashflows when calculating fair value; and
- Where a fair value cannot be estimated reliably the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

### *Employee benefits*

#### *Pension obligations*

The Group does not operate any pension schemes for employees but makes contributions to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

#### *Share based payments*

Share based incentive arrangements are provided to management and certain employees. Share options granted after 7 November 2002 which had not vested by 1 January 2005 are valued at the date of grant using the Black Scholes option pricing model and are charged to operating profit over the vesting period of the award. The annual charge is modified to take account of options granted to employees who leave the Group during the performance or vesting period and forfeit their rights to the share options and in the case of non-market related performance conditions, where it becomes unlikely they will vest.

### *Employee benefits*

#### *Bonus plan*

The Group operates a discretionary staff bonus scheme for its employees and directors. Until 31 October 2005, based on the rules of the scheme, the maximum annual bonus (including social security costs) was 17.5% of the growth in the fair value of the Group's portfolio of equity investments subject to an overriding condition that the payment of the bonus cannot change a profit before tax into a loss before tax.

From 31 October 2005, the Group implemented a revised bonus scheme linked to the value of the investments made by the Group. The accrual for employee bonuses made shall not exceed 17.5% of fair value of investments made. In respect of the year ended 31 December 2005, onward payments from the accrual for employee bonuses have been settled by the allocation of equity. Prior to the year ended 31 December 2005, the bonus accrual was settled by way of cash.

#### *Deferred tax*

Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

#### *Leases*

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

#### *Financial assets*

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired:

Fair value through profit or loss: These assets are carried in the balance sheet at fair value with changes in the fair value recognised in the income statement.

Held for trading: These assets are carried in the balance sheet at fair value with changes in the fair value recognised in the income statement.

Loans and receivables: These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors). They are carried at cost less provision for impairment.

Cash and cash equivalents: These assets comprise cash balances on sight deposit or longer term deposit not greater than 12 months.

#### *Financial liabilities*

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

### **6. Material contracts**

IP Group has entered into partnerships with seven universities to date through its wholly-owned subsidiary, IP2IPO Limited (“IP2IPO”).

#### *University of Oxford Partnership*

Under the terms of the University of Oxford partnership dated December 2000, IP2IPO receives shares in spin-out companies based around intellectual property created by the University of Oxford’s chemistry department and a share of the income derived from the licensing of intellectual property arising out of the University of Oxford’s chemistry department. IP2IPO has also made a fund of £5 million available for investment in spin-outs across the University of Oxford.

#### *University of Southampton Partnership*

Under the terms of the University of Southampton partnership dated March 2002, IP2IPO has agreed to provide expertise and assistance to the University of Southampton in respect of its technology transfer activities. IP2IPO has received a shareholding in Southampton Asset Management Limited. Southampton Asset Management Limited is a company that has been set up to own the University of Southampton’s equity interests in spin-out companies (after allocation of shares in the spin-out company to its academic founders) acquired during the term of the University of Southampton partnership.

#### *King’s College London Partnership*

Under the King’s College London partnership dated May 2003:

- IP2IPO has committed a £5 million King’s Fund for seed capital investment in King’s College London spin-out companies.
- IP2IPO is committed to providing expertise and assistance to KCLE in respect of the commercialisation of King’s College London’s intellectual property.

- IP2IPO is entitled to a share of King's College London's equity in spin-out companies based on intellectual property created at King's College London (after allocation of shares in the spin-out company to its academic founders).
- IP2IPO will also be entitled to a share of King's College London's share of income derived from out-licensing (after allocation of income to the academic founders). This entitlement applies to all licence income accrued during the term of the King's College London partnership derived from licences entered into after May 2003.

*CNAP Partnership*

Under the terms of the CNAP partnership dated September 2003:

- IP2IPO has invested £1.15 million in Amaethon Limited, a technology commercialisation company formed to commercialise CNAP's intellectual property.
- IP2IPO has a shareholding of the equity share capital of Amaethon Limited, the company which manages the intellectual property.

*University of Leeds Partnership*

Under the terms of the University of Leeds partnership dated July 2005:

- IP Group has committed to invest a £5 million Leeds Fund in spin-out companies based on intellectual property created at the University of Leeds.
- Techtran is entitled to receive a shareholding in any spin-out company formed from the University of Leeds whilst the partnership continues, prior to any investment from the £5 million Leeds Fund.
- Techtran is also entitled to a percentage of the net revenues received by the University of Leeds derived from out-licensing entered into after 19 December 2002 where IP Group has been actively engaged on the opportunity and a percentage of net revenues in circumstances where it has not, in each case during the term of the University of Leeds Partnership.

*University of Bristol Partnership*

Under the terms of the University of Bristol partnership dated December 2005:

- IP2IPO has committed to invest a £5 million Bristol Fund in spin-out companies based on intellectual property created at the University of Bristol. The Group's investments in spin-out companies from the £5 million Bristol Fund will be directly owned by IP2IPO.
- IP2IPO is committed to providing expertise and assistance to the University of Bristol in respect of its technology transfer activities.
- IP2IPO is entitled to receive a shareholding in any spin-out company formed from the University of Bristol whilst the partnership continues, prior to any investment from the University of Bristol Fund.

*University of Surrey Partnership*

Under the terms of the University of Surrey partnership dated February 2006:

- IP2IPO has committed to invest a £5 million Surrey Fund in spin-out companies based on intellectual property created at the University of Surrey. The Group's investments in spin-out companies from the £5 million Surrey Fund will be directly owned by IP2IPO.
- IP2IPO is committed to providing expertise and assistance to the University of Surrey in respect of its technology transfer activities.
- IP2IPO is entitled to receive a shareholding in any spin-out Company formed from the University of Surrey whilst the partnership continues, prior to any investment from the University of Surrey Fund.

*University of York Partnership*

Under the terms of the University of York partnership dated March 2006:

- IP2IPO has committed to invest the £5 million York Fund in spin-out companies based on intellectual property created at the University of York (excluding the CNAP Partnership for these purposes). The Group's investments in spin-out companies from the £5 million York Fund will be directly owned by IP2IPO.
- IP2IPO is committed to providing expertise and assistance to the University of York in respect of its technology transfer activities.

- IP2IPO is entitled to receive a shareholding in any spin-out company formed from the University of York whilst the partnership continues, prior to any investment from the University of York Fund, in the event that the Fund invests in the spin-out company and a shareholding in the spin-out company in the event that the Fund does not invest.
- IP2IPO is also entitled to a percentage of the University of York's share of income derived from out-licensing (after allocation of income to the academic founders).

**PART VII**  
**INFORMATION RELATING TO TECHTRAN**

**1. Nature of business**

The principal activity of Techtran is the development of intellectual property created by UK universities with the potential for commercial development.

**2. Directors**

The names of the Techtran directors are as follows:

- Alan John Aubrey
- Alison Margaret Fielding
- David Robert Norwood

**3. Registered office**

The registered office of Techtran is at Leeds Innovation Centre, 103 Clarendon Road, Leeds LS2 9DF.

**4. Financial and trading prospects**

Techtran will continue to provide technology transfer expertise to the University of Leeds in accordance with IP Group's contractual obligations to the University of Leeds.

**5. Financial information**

**PROFIT AND LOSS ACCOUNT**

	<i>8 month period ended 31 December 2004</i>	<i>17 month period ended 30 April 2004</i>
	£	£
Turnover	29,311	15,787
Administrative expenses	(524,736)	(541,870)
Operating loss	(495,425)	(526,083)
Other interest receivable and similar income	36,211	19,906
Impairment provision	(83,100)	(82,507)
Interest payable and similar charges		(105)
Loss on ordinary activities before taxation	(542,314)	(588,789)
Tax on loss on ordinary activities	—	—
Loss on ordinary activities after taxation	<u>(542,314)</u>	<u>(588,789)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

## BALANCE SHEET

	31 December 2004 £	30 April 2004 £
<b>Fixed assets</b>		
Tangible assets	7,307	4,737
Investments	<u>48,513</u>	<u>4</u>
	<u>55,820</u>	<u>4,741</u>
<b>Current assets</b>		
Debtors	54,680	14,745
Cash at bank and in hand	<u>1,853,773</u>	<u>501,348</u>
	<u>1,908,453</u>	<u>516,093</u>
Creditors amounts falling due within one year	<u>(95,257)</u>	<u>(1,109,517)</u>
Net current assets/(liabilities)	<u>1,813,196</u>	<u>(593,424)</u>
Net assets/(liabilities)	<u>1,869,016</u>	<u>(588,683)</u>
<b>Capital and reserves</b>		
Called up share capital	170	106
Share premium account	2,999,949	—
Profit and loss account	<u>(1,131,103)</u>	<u>(588,789)</u>
Shareholders' funds — equity interests	<u>1,869,016</u>	<u>(588,683)</u>

## CASH FLOW STATEMENT

	31 December 2004 £	30 April 2004 £
Net cash (outflow)/inflow from operating activities	<u>(1,549,095)</u>	<u>569,564</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	36,211	19,906
Interest paid	<u>—</u>	<u>(105)</u>
Net cash inflow for returns on investments and servicing finance	<u>36,211</u>	<u>19,801</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible assets	(3,095)	(5,612)
Payments to acquire investments	<u>(131,609)</u>	<u>(82,511)</u>
Net cash outflow for capital expenditure	<u>(134,704)</u>	<u>(88,123)</u>
<b>Net cash (outflow)/inflow before</b>		
Management of liquid resources and financing	<u>(1,647,588)</u>	<u>501,242</u>
<b>Financing</b>		
Issue of ordinary share capital	<u>3,000,013</u>	<u>105</u>
Net cash inflow from financing	<u>3,000,013</u>	<u>105</u>
Increase in cash in the period	<u>1,352,425</u>	<u>501,347</u>

## PART VIII

### ADDITIONAL INFORMATION

#### 1. The Company and the Subsidiaries

##### 1.1 The Company

- 1.1.1 The Company was incorporated and registered in England and Wales as a private limited company under the Act on 29 April 2003 with registered number 4748597. The liability of the members of the Company is limited.
- 1.1.2 The principal legislation under which the Company operates is the Act.
- 1.1.3 The Company is domiciled in England, the registered office is Television House, 10-12 Mount Street, Manchester M2 5NT and the telephone number for such office is 0161 832 6088. The ISIN number of the Ordinary Shares is GB0033519546.
- 1.1.4 On 18 June 2003 the Company re-registered as a public limited company under the name Readybuy plc.
- 1.1.5 On 4 September 2003 the Company acquired the entire issued share capital of McDonald Yang Limited, a private company limited by shares. On 22 September 2003 a special resolution was passed changing the name of McDonald Yang Limited to Oriental Fine Foods Limited.
- 1.1.6 On 8 September 2003 the Company was admitted to trading on AIM.
- 1.1.7 In July 2005 the Board resolved to cease trading in Oriental as a result of difficult trading conditions.
- 1.1.8 The Company is a holding company.

##### 1.2 Subsidiaries

- 1.2.1 The Company will, following completion of the Proposals, be the ultimate holding company of the Enlarged Group, and will have the following subsidiary undertakings which are considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Enlarged Group.

Name	Country of Incorporation	Principal Activity	Proportion of ownership interest
Oriental	England & Wales	Not trading	100% (directly)
Avacta	England & Wales	Research and development, natural sciences and engineering	100% (directly)
Avacta Analytical	England & Wales	Provision of analytical services	100% (indirectly)

- 1.2.2 The registered office of Oriental is at Television House, 10-12 Mount Street, Manchester M2 5NT. The registered office of Avacta and Avacta Analytical is York Biocentre, York Science Park, Innovation Way, Heslington YO10 5NY and the telephone number of such office is 0870 8354367. Upon completion of the Acquisition, Avacta will be directly wholly-owned by the Company and Avacta Analytical, which is wholly-owned by Avacta, will be indirectly wholly-owned by the Company. Oriental will continue to be directly wholly-owned by the Company.

#### 2. Share Capital of the Company

- 2.1 At the date of its incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was in issue, fully paid.
- 2.2 On 17 June 2003, the subscriber share was transferred to Ian William Currie.

2.3 Since the incorporation of the Company, the following changes have occurred in the authorised and issued share capital of the Company:

(a) On 17 June 2003:

- (i) the then existing issued ordinary share and each of the existing unissued ordinary shares of £1 each in the capital of the Company were sub-divided into 20,000 ordinary shares of 0.005p each;
- (ii) the authorised share capital of the Company was increased from £1,000 to £250,000 by the creation of 3,980,000,000 ordinary shares of 0.005p each and 50,000 redeemable shares of £1 each;
- (iii) the Directors were generally and unconditionally authorised (in substitution to the authority conferred on them by the then existing articles of association of the Company) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £249,999 provided that such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is 5 years after the date of passing the resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred had not expired;
- (iv) the directors were empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89 (1) did not apply to any such allotment; and
- (v) subject to the authorities granted to the directors referred to at paragraphs 2.3 (a) (iii) and 2.3 (iv) above being in force, the directors were authorised to capitalise any amount standing to the credit of any of the Company's reserve accounts (including any share premium account, capital redemption reserve, or other undistributable reserve) in such amount and at such time as the directors determine by appropriating such sums to the holders of ordinary shares and applying such sum on their behalf in paying up in full unissued ordinary shares (or, subject to any special rights previously conferred on any shares or class of shares at the time being issued, unissued shares or any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them in proportion to the holding.

(b) On 17 June 2003, the Company issued:

- (i) 14,980,000 ordinary shares of 0.005p credited as fully paid up; and
- (ii) 50,0000 redeemable shares of £1.00 each, one quarter paid.

(c) On 20 June 2003, at an extraordinary general meeting of the Company it was resolved to consolidate every 100 shares of 0.005p into 1 ordinary share of 0.5p each, conditional upon:

- (i) the allotment of 15,000,000 ordinary share of 0.005p to the subscribers of the offer for subscription, under the terms of an offer for subscription; and
- (ii) a bonus issue of 40 ordinary shares of 0.005p for every ordinary share of 0.005p held by each member.

(d) On 4 August 2003 the Company:

- (i) issued 15,000,000 ordinary shares of 0.005p to subscribers pursuant to an offer for subscription at a subscription price of 5p per share;
- (ii) issued 1,200,000,000 ordinary shares of 0.005p pursuant to a bonus issue authorised by a resolution at paragraph 3.3(c)(ii) above; and
- (iii) consolidated, pursuant to the same resolution, every 100 ordinary shares of 0.005p each into 1 ordinary share of 0.5p.

(e) On 4 August 2003 the Company redeemed all the redeemable shares then in issue in the Company and which are referred to in paragraph 2.3(b)(ii) for cash at par.

- (f) On 20 August 2003 the Company issued 1,640,000 ordinary shares of 0.5p in multiples of 41 ordinary shares at an aggregate subscription price per 41 ordinary shares of £5 payable in cash.
- (g) On 26 August 2003 the Company's board adopted the Existing Scheme, details of which are set out in paragraph 9 of this Part VIII and resolved to grant, on admission of the Company's then existing ordinary shares to trading on AIM, options in respect of 1,259,580 ordinary shares at an exercise price of 12.2p per ordinary share.
- (h) On 26 August 2003 the Company allotted conditionally on admission of the Company's then existing ordinary shares of 0.5p to trading on AIM 3,598,802 ordinary shares of 0.5p to the vendors of Oriental in accordance with an acquisition agreement dated 26 August 2003 relating to the acquisition of the entire issued share capital of Oriental.
- (i) On 26 August 2003 the Company granted conditionally on admission of the Company's then existing ordinary shares of 0.5p to trading on AIM an option to Mark Anthony Shields to subscribe for a maximum of 179,940 ordinary shares at an exercise price of 12.2p per ordinary share.
- (j) On 8 September 2003 the Company's 17,994,010 then existing ordinary shares of 0.5p were admitted to AIM.
- (k) Trading in the Company's 17,994,010 then existing ordinary shares of 0.5p commenced on 8 September 2003.
- (l) On 23 March 2005, the Company issued 666,667 ordinary shares of 0.5p each at an issue price of 15p per share.
- (m) On 25 May 2005 the Company issued a further 666,667 ordinary shares of 0.5p each at an issue price of 15p per share.
- (n) On 5 May 2006, at an extraordinary general meeting of the Company it was resolved:
  - (i) to increase the authorised share capital of the Company from £250,000 divided into 50,000 redeemable shares of £1 each and 40,000,000 ordinary shares of 0.5p each to £350,000 by the creation of 100,000,000 Ordinary Shares;
  - (ii) to subdivide each of the 19,327,344 then issued ordinary shares of 0.5p each in the capital of the Company and convert each into one Ordinary Share and one deferred share of 0.4p;
  - (iii) to convert each of the 50,000 unissued redeemable shares of £1.00 in the capital of the Company into 1,000 unissued Ordinary Shares;
  - (iv) to subdivide each of the 20,672,656 unissued then existing ordinary shares of 0.5p in the capital of the Company and convert each into 5 unissued Ordinary Shares;
  - (v) to allot 104,000,000 Ordinary Shares to the Existing Concert Party and 1,000,000 Ordinary Shares to WH Ireland.
- (o) Subject to the passing of Resolution 4 to be proposed at the EGM the authorised share capital of the Company will be increased from £350,000 divided into 19,327,344 deferred shares of 0.4p each and 272,690,624 Ordinary Shares to £1,000,000 by the creation of 650,000,000 Ordinary Shares.
- (p) Subject to the passing of Resolution 5 to be proposed at the EGM the directors will be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £700,000, such authority to expire on the date 15 months from the date of the resolution or, if earlier, the next annual general meeting of the Company unless varied, revoked or renewed by the Company in general meeting.
- (q) Subject to the passing of Resolution 6 to be proposed at the EGM the directors will be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph (p) above as if

section 89(1) of the Act did not apply to such allotment provided that such power was limited to:

- (i) the allotment of the Consideration Shares to be issued pursuant to the Acquisition Agreement;
  - (ii) the allotment of the Consideration Shares to be issued pursuant to the Supplemental Acquisition Agreement;
  - (iii) the allotment of equity securities for cash in connection with the Placing up to an aggregate nominal amount of £45,000;
  - (iv) the allotment of equity securities for cash in connection with rights issues to holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws or requirements of any regulatory body or any recognised stock exchange in any territory; and
  - (v) the allotment of equity securities in addition to any allotted pursuant to sub-paragraphs (i) to (iv) (inclusive) above up to a maximum aggregate nominal value of £33,500.
- (r) Statutory pre-emption rights in relation to the allotment of equity securities contained in section 89(1) of the Act have been disapplied by the Company's shareholders to the extent set out in paragraph (q) above of this Part VIII. The provisions of section 89(1) of the Act, to the extent to which they are not disapplied pursuant to the Act, confer on the shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, paid up in cash.

- 2.4 The following shows the authorised and issued share capital of the Company at the date of this document and on Admission:

	Share Capital			
	Authorised		Issued and fully paid	
	Number and Class	£	Number	£
At the date of this document	272,690,624 Ordinary 19,327,344 Deferred	350,000	124,327,344 Ordinary 19,327,344 Deferred	201,637
On Admission	922,690,624 Ordinary 19,327,344 Deferred	1,000,000	669,327,344 Ordinary 19,327,344 Deferred	746,637

### 3. Existing Warrants

By the Existing Warrant Instrument dated 11 April 2006, the Company issued to the Existing Concert Party warrants to subscribe for 52,000,000 Ordinary Shares and to WH Ireland warrants to subscribe for 500,000 Ordinary Shares. The Existing Warrants are exercisable in whole or in part at the discretion of the holders at any time during the seven years following the date of their grant.

### 4. Memorandum of Association

The principal objects of the Company are set out in Clause 4 of the Company's memorandum of association and are to carry on the business of a holding company.

### 5. Articles of Association

The Articles contain *inter alia*, provisions which are summarised below. The summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles and the Act.

## 5.1 *Votes of Members*

### 5.1.1 Votes attaching to shares

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

### 5.1.2 No voting rights where calls outstanding

No member shall, unless the board otherwise determines, be entitled to vote:

5.1.2.1 if any call or other sum presently payable by him to the Company in respect of the shares remains unpaid; or

5.1.2.2 if a member has been served with a restriction notice and failed to supply the Company with information concerning an interest in those shares required to be provided under the Act.

## 5.2 *Transfer of Shares*

### 5.2.1 Form of transfer

Transfer of shares may be effected by an instrument of transfer in any usual form or in any other form approved by the Board. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferee shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

### 5.2.2 Right to refuse to register a transfer

The Board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any share which is not a fully paid share. The Board may decline to recognise any instrument of transfer unless:

5.2.2.1 the instrument of transfer:

- (i) is in respect of only one class of shares;
- (ii) is lodged at the registered office or such other place as the Board may appoint; and
- (iii) is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferee to make the transfer;
- (iv) is duly stamped (if so required); and

5.2.2.2 in the case of a transfer to joint holders, the number of joint holders does not exceed four.

The Board may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interest in those shares required to be provided under the Articles or the Act until such failure has been remedied.

## 5.3 *Dividends*

### 5.3.1 Final dividends

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board.

### 5.3.2 Interim and fixed dividends

If so far as, in the opinion of the Board, the profits of the Company justify such payments, the Board may declare and pay the fixed dividends on any class of shares carrying fixed dividends expressed to be payable on fixed dates on the half yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends

on shares of any class of such sums and on such dates and in respect of such periods as it thinks fit.

#### 5.3.3 Retention of dividends

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The Board may withhold dividends payable on shares after there has been failure to provide the Company with information concerning interests in those shares required to be provided under the Act until such failure has been remedied.

#### 5.3.4 Unclaimed dividend

Any dividend unclaimed after a period of twelve years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

#### 5.3.5 Distribution *in specie*

The Company may upon the recommendation of the Board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the Board shall give effect to such resolution.

### 5.4 Disclosure of interests

#### 5.4.1 Notwithstanding anything in the Articles to the contrary, if a disclosure notice (which requires disclosure of interests in those shares pursuant to section 212 of the Act) has been served by the Company on a member or any other person appearing to be interested in some or all of the specified shares within, and the Company has consequently not received the information required in the disclosure notice in respect of the specified shares within 14 days after the service of the notice, then the Board may issue a restriction notice.

A restriction notice shall contain one or more of the following restrictions:

- 5.4.1.1 that the member holding the specified shares shall not be entitled, in respect of those shares, to attend or be counted in the quorum or vote either personally or by proxy at any general meeting;
- 5.4.1.2 that no transfer of the specified shares shall be effective or shall be registered by the Company; and/or
- 5.4.1.3 that no dividend or other money payable shall be paid in respect of the specified shares.

#### 5.4.2 The restrictions will cease to apply in certain circumstances including, either in whole or in part at any time as the Board may determine, or upon the Company receiving the information required by the disclosure notice.

### 5.5 Distribution of assets on a winding up

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution and subject to any provision of law, divide among the members *in specie* or 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 shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes or property and may determine how such division shall be carried out as between the members or different classes of members.

### 5.6 Pre-emption rights

There are no rights of pre-emption under the Articles in respect of transfers of issued ordinary shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of

such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

Sections 428 to 430F of the Act contain provisions regarding the purchase of the shares of minority shareholders by the offeror where the offeror has acquired 90% or more of the shares to which the offer relates (and all other conditions of that offer have been satisfied or waived). These provisions entitle the offeror to acquire, and for the minority shareholders to be required to sell, the shares held by the minority shareholders on the same terms as the takeover offer. The provisions also entitle minority shareholders to require that the offeror purchases their shares on the same terms as the takeover offer.

5.7 *Capitalisation of profits and reserves*

- 5.7.1 The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of profit and loss account.
- 5.7.2 Such capitalisation shall be effected by appropriating such sum to the holders of Ordinary Shares in proportion to their holdings of Ordinary Shares and applying such sum on their behalf in paying up in full unissued shares.

5.8 *Annual General meetings*

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Statutes at such time and place as the Board may determine. An annual general meeting at which it is proposed to pass a special resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by not fewer than twenty-one days' notice in writing. The period of notice shall be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held.

An annual general meeting, notwithstanding that it has been called by a shorter notice than specified above, shall be deemed to have been duly called if it is so agreed by all the members entitled to attend and vote at that annual general meeting.

Two members present in person or by proxy and entitled to attend and vote at that meeting shall be a quorum for all purposes.

5.9 *Extraordinary general meetings*

Any general meeting of the Company other than an annual general meeting shall be called an extraordinary general meeting. The Board may, whenever it thinks fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an extraordinary general meeting. An extraordinary general meeting at which it is proposed to pass a special resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by not fewer than twenty-one days' notice in writing and any other extraordinary general meeting by not fewer than fourteen days' notice in writing. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held.

An extraordinary general meeting, notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is agreed by a majority in number of the members having a right to attend and vote at that extraordinary general meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

Two members present in person or by proxy and entitled to attend and vote at that meeting shall be a quorum for all purposes.

5.10 *Share capital*

5.10.1 Variation of rights

The special rights attached to any class may, subject to the provisions of the Statutes, be varied either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

#### 5.10.2 Increase in share capital

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

#### 5.10.3 Consolidation, subdivision and cancellation

The Company may by ordinary resolution:

5.10.3.1 consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;

5.10.3.2 subject to the provisions of the Statutes, sub-divide its shares

#### 5.10.4 Reduction or cancellation

Subject to any confirmation or consent required by law and any rights for the time being attached to any shares, the Company may by special resolution reduce or cancel its share capital or any revaluation reserve or share premium account or any other reserve fund in any manner.

#### 5.10.5 Purchase of own shares

Subject to the provisions of the Statutes, the Company may purchase or may enter into any contract under which it will or may purchase, any of its own shares.

### 5.11 *Rights attaching to the Redeemable Shares*

#### 5.11.1 Voting

The Redeemable Shares shall not entitle the holders thereof to receive notice of and to attend and vote at any general meeting of the Company.

#### 5.11.2 Dividends

The Redeemable Shares shall rank *pari passu* in all respects with the Ordinary Shares.

#### 5.11.3 Return of Capital

The Redeemable Shares shall rank *pari passu* in all respects with the Ordinary Shares.

### 5.12 *Forfeiture and lien*

#### 5.12.1 Notice on failure to pay a call

If a member fails to pay in full any call or instalment of a call on the due date of payment the Board may at any time after the failure serve a notice on him requiring payment and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

#### 5.12.2 Lien on partly paid shares

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share.

#### 5.12.3 Sale of shares subject to lien

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

### 5.13 *Directors*

#### 5.13.1 Number of Directors

Unless otherwise determined by ordinary resolution the directors shall not be fewer than two nor more than ten in number.

#### **5.13.2 Directors' fees**

The ordinary remuneration of the directors shall from time to time be determined by the board except that such remuneration shall not exceed £750,000 per annum in aggregate or such higher sum as may from time to time be determined by ordinary resolution of the Company.

#### **5.13.3 Other remuneration of directors**

Any director who holds any executive office, or who serves on any committee of the Board, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Board may determine.

#### **5.13.4 Directors' expenses**

The Board may repay to any director any such reasonable expenses as he may incur in attending meetings of the Board or of any committee of the board or shareholders' meetings or otherwise in connection with the Business of the Company.

#### **5.13.5 Age limit**

Any provision of the Statutes which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment or election as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, shall not apply to the Company.

#### **5.13.6 Retirement by rotation**

At each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation.

#### **5.13.7 Directors' interest in contracts**

A director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated for his acts and in any such case (save as otherwise agreed by him) he may retain for his own absolute use and benefit all profits and advantages accruing to him under or in consequence of his acts and no such contract, arrangement or transaction shall be avoided on the grounds of any such interest or benefit.

#### **5.13.8 Disclosure of interests to the Board**

A director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement or transaction with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement or transaction is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

#### **5.13.9 Appointment of executive directors**

The Board may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of chairman or deputy chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

#### **5.13.10 Restrictions on voting**

A director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal whatsoever in which the persons connected with him have

a material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.

5.13.11 Subject to the provisions of the Statutes, a director 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:

- 5.13.11.1 relating to the giving of any security, guarantee or indemnity in respect of:
  - (i) 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; or
  - (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security;
- 5.13.11.2 where the Company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- 5.13.11.3 relating to another company in which he does not hold an interest in shares representing 1% or more of either class of the equity share capital, or the voting rights in such company;
- 5.13.11.4 relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved by the Inland Revenue or is conditional upon such approval or does not award him any privilege or benefit to the employees to whom such scheme relates; or
- 5.13.11.5 concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

#### 5.14 *Borrowing powers*

The board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) 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 of any third party.

### 6. **Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

#### 6.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of an interest in Ordinary Shares were to increase the aggregate number of shares in which the acquirer and its concert parties are interested to shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of an interest in shares by a person holding (together with its concert parties) shares carrying between 30 and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the shares carrying voting rights in which he is interested.

#### 6.2 *Squeeze-out*

Under the Act, if an offeror were to acquire 90% of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10%. 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.

#### 6.3 *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 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% of the Ordinary Shares, 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/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.

- 6.4 Other than the protections afforded to shareholders in the Company under the City Code, there are no controls in place to ensure that any shareholder having a controlling interest in the Company does not abuse that interest.
- 6.5 There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

### 7. Directors and Proposed Directors

- 7.1 The Company, the current directorships and partnerships of the Directors and Proposed Directors and directorships and partnerships held by them over the previous five years are as follows:

<i>Directors</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Daron Lee	39	Readybuy	Proquote Limited
Professor Alastair Smith	39	Readybuy Avacta Avacta Analytical TT123 Limited	Hebden Lodge Hotel  Company Limited
<hr/>			
<i>Proposed Directors</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Dr. Simon Webster	38	Avacta Avacta Analytical	None
Dr. Kurt Baldwin	38	Avacta Avacta Analytical	None
Dr. Gwyn Humphreys	60	Avacta Elucidos Limited Connect Yorkshire Inside track I LLP Inside track II LLP Syntopix Group plc Syntopix Services Limited Syntopix Limited Bioniqs Limited	Bradford Particle Design Limited Nektar Therapeutics UK Limited

<i>Directors</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Professor Tony Robards	66	Avacta Yorkshire Cancer Research Limited York and North Yorkshire Inward Investment Board Limited Yorktest Laboratories Limited York Science Park (Innovation Centre) Limited York Science Park Limited York Professional Initiative Yorktest Group Limited Pro-Cure Therapeutics Limited Venturefest (York) Limited Connect Yorkshire LG01 Limited Elucidos Limited	Bioincubator York Limited Business Link York and North Yorkshire Limited Knowledge Base (UK) Limited Yhman Limited Yorkshire Building Society Charitable Foundation York and North Yorkshire Chamber of Commerce White Rose Research Limited
Alan Aubrey	45	Aquarius Equity Partners Limited Axiomlab Axiomlab Limited Axiomlab Group plc Axiomlab Investment Management Limited Axiomlab Investments Limited Inhoco 2835 Limited Inhoco 2895 Limited IP Group Plc Life UK (IP21PO) Limited Modern Biosciences Plc PROACTIS Group Limited PROACTIS Holdings PLC Syntopix Group Plc Syntopix Limited Techtran Corporate Finance Limited Techtran Group Limited Techtran Investments Limited Techtran Limited Techtran Services Limited IP2IPO Limited IP2IPO Management Limited IP2IPO Management II Limited IP Venture Fund (GP) Limited IP Ventures (Scotland) Limited HATT III General Partner Limited Top Technology Ventures Limited TTV IV G.P. Limited	AXM Venture Capital Limited Empiricom Technologies Limited Energetix Group Limited Flexisols Limited NWSF Holdings Limited Thermetica Limited

<i>Directors</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Tim Sykes	36	Avacta Avacta Analytical Penta Financial Direction Limited PROACTIS Group Limited PROACTIS Holdings PLC	Mountain Warehouse Limited Mountain Warehouse Holdings Limited

- 7.2 Save as disclosed in this document, as at the date of this document, none of the Directors or Proposed Directors has:
- 7.2.1 had any previous names; or
  - 7.2.2 any unspent convictions in relation to indictable offences; or
  - 7.2.3 been declared bankrupt or made any individual voluntary arrangement; or
  - 7.2.4 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
  - 7.2.5 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
  - 7.2.6 been the owner of any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
  - 7.2.7 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 8. Directors' and Other Interests

- 8.1 The interests of each of the Directors and the Proposed Directors in the share capital of the Company, all of which are beneficial, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to section 325 of the Act, or which are interests of persons connected with the Directors or the Proposed Directors (within the meaning of section 346 of the Act) the existence of which is known or could with reasonable diligence be ascertained by that Director or Proposed Director as at the date of this document and immediately following Admission are as follows:

	<i>As at the date of this document</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Daron Lee <sup>1</sup>	15,000,000	12.06	15,000,000	2.24
Professor Alastair Smith	Nil	Nil	49,217,468	7.35
Dr. Simon Webster	Nil	Nil	48,624,258	7.26
Dr. Kurt Baldwin	Nil	Nil	48,624,258	7.26
Dr. Gwyn Humphreys	Nil	Nil	11,125,836	1.66
Tim Sykes	Nil	Nil	2,918,718	0.44
Professor Tony Robards	Nil	Nil	8,491,102	1.27
Alan Aubrey	Nil	Nil	12,173,419	1.82

<sup>1</sup>Daron Lee is also interested in warrants to subscribe for 7,500,000 Ordinary Shares.

- 8.2 Subject to Resolutions 7 and 8 being approved at the EGM, it is intended that the Directors and the Proposed Directors will be granted the following share options pursuant to the New Schemes, all of which will be granted at the Placing Price:

	<i>Exercise Price</i>	<i>Ordinary Shares</i>	<i>Latest exercise date/ Exercise period</i>
Professor Alastair Smith	2.25p	7,218,273	10 years from the date of grant
Dr. Simon Webster	2.25p	7,218,273	10 years from the date of grant
Dr. Kurt Baldwin	2.25p	7,218,273	10 years from the date of grant

Each of the foregoing options will provide that, save as waived at the discretion of the remuneration committee of the Board, they can, if they have not previously lapsed, be exercised as to one-third on or after the first anniversary of the date of grant, as to a further third on or after the second anniversary of the date of grant and as to the final third on or after the third anniversary of the date of grant.

- 8.3 Save as disclosed in paragraphs 8.1 and 8.2 above, the Directors and the Proposed Directors have no interests, rights to subscribe in or short positions in the securities of the Company and are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.
- 8.4 Other than as set out below, and in so far as the Company has the information, it is not aware of any person other than the Directors and the Proposed Directors, the Existing Concert Party, the New Concert Party and their respective immediate families, who at the date of this document and immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company or who is or will be interested in 3% or more of the issued share capital of the Company as at the date of this document or at Admission.

	<i>As at the date of this document</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Robert Quested	37,000,000	29.76	59,800,000	8.93
Christopher Potts	21,079,990	16.96	21,079,990	3.15
Stephen James	20,000,000	16.09	20,000,000	2.99

Robert Quested, Christopher Potts and Stephen James are also interested in warrants to subscribe for 18,500,000; 10,500,000; and 10,000,000 Ordinary Shares respectively.

The members of the Existing Concert Party (including Richard Ian Griffiths), as at the date of this document, together hold 83.71% of the issued share capital of the Company, and will, immediately following the Placing and Admission hold 19.84% thereof. The members of the New Concert Party (including Richard Ian Griffiths), as at the date of this document, together hold 0.96% of the issued share capital of the Company, and will, immediately following the Placing and Admission hold 74.88% thereof.

- 8.5 Nothing in the Articles confers on a major shareholder of the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 5 of this Part VIII.
- 8.6 Save as disclosed above, none of the Directors or Proposed Directors (or member of his family) has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 8.7 Save as disclosed in this document, no Director or Proposed Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director or Proposed Director is materially interested and which is significant in relation to the business of the Company.
- 8.8 There are no outstanding loans granted by the Company to any of the Directors or Proposed Directors, nor are there any guarantees provided by the Company for their benefit.
- 8.9 WH Ireland is interested in 1,244,489 Ordinary Shares and warrants to subscribe for 500,000 Ordinary Shares. Members of the Existing Concert Party are interested in 104,074,990 Ordinary Shares and warrants to subscribe for 52,000,000 Ordinary Shares.

- 8.10 No shares in the Company or in Avacta have been borrowed by or lent by the Directors or Proposed Directors or the New Concert Party or any of their respective concert parties.
- 8.11 Save as disclosed in paragraph 11 of Part I of this document, there are no personal, financial or commercial relationships, arrangements or understandings between any member of the New Concert Party and any Shareholders.
- 8.12 There are no personal, financial or commercial arrangements or understandings between any member of the New Concert Party and any of the Directors or Proposed Directors of the Company, their close relatives and related trusts.
- 8.13 No inducement fee or any similar arrangement is proposed for the purposes of the City Code in connection with the Acquisition, Admission or Placing.
- 8.14 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 New Concert Party pursuant to the Acquisition Agreement and the Supplemental Acquisition Agreement will be transferred to any other person.
- 8.15 Save as disclosed in paragraph 11 of Part I of this document, neither the New 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.
- 8.16 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 positions in any Relevant Securities of the New Concert Party.
- 8.17 Save as disclosed in paragraph 11 of Part I of this document, none of the New Concert Party, Avacta, the directors of Avacta nor any person acting in concert with any of them has dealt in Relevant Securities in the Company during the Disclosure Period.
- 8.18 Save as disclosed in this paragraph 8 of Part VIII of this document, no Director has any interests, rights to subscribe or short positions in the Company.
- 8.19 Save as disclosed in this paragraph 8 of Part VIII 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 an exempt principal trader or exempt fund manager) has any interests, rights to subscribe or short positions in the Company.
- 8.20 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.
- 8.21 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.
- 8.22 No agreement, arrangement or understanding (including any compensation arrangement) exists between the New 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.
- 8.23 No Director, Proposed Director or any member of their respective families has a related financial product referenced to the Ordinary Shares.
- 8.24 Save as otherwise expressly provided, references in this paragraph 8 to “Relevant Securities” are to Existing Ordinary Shares, New Ordinary Shares, shares in Avacta 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 8 will include Avacta’s or the Company’s parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose ownership or control of 20% or more of the equity share capital of a company is regarded as the test of associated company status).

References in this paragraph 8 to “Connected Adviser“ mean:

- (i) in relation to Avacta 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 Avacta 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 relevant concert party; and
- (iii) in relation to a person who is an associate of Avacta 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 8 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 8 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 on the date of this document.

## **9. Share Option Schemes**

### **9.1 The Existing Scheme**

The Existing Scheme was adopted by the Board on 26 August 2003. The Existing Scheme is administered by a committee (the “Committee”) (comprising the directors of the Company from time to time).

The main features of the Existing Scheme are summarised as follows:

#### **9.1.1 Eligibility**

All employees (including executive directors) of the Readybuy Group whose terms of employment require them to devote substantially the whole of their working time to the business of the Readybuy Group and who are nominated by the Committee are eligible to participate if they are not expected by the Committee to retire within six months from the date of grant.

#### **9.1.2 Grants of Options**

Grants of options may normally be made within 42 days after the date on which the Scheme is adopted; the announcement of the Company’s interim or final results in each year; or the

commencement of employment with a member of the Readybuy Group. No options may be granted more than ten years after the date the Existing Scheme was adopted.

#### 9.1.3 Option Price

Where options are granted and when the Ordinary Shares are listed on The London Stock Exchange Official List or admitted to trading on AIM, the option price per Ordinary Share will not be less than the middle market quotation of such Ordinary Shares as derived from the London Stock Exchange Daily Official List or the *Financial Times* (as appropriate) on the dealing day immediately preceding the date of grant (or the nominal value of an Ordinary Share if greater).

In the event of a variation in the share capital of the Company, the option price and/or the number of Ordinary Shares comprised in each option may be adjusted as the auditors of the Company confirm in writing to be fair and reasonable. No adjustment may be made which will reduce the option price below the nominal value of an Ordinary Share.

#### 9.1.4 Individual Limits

Except in certain circumstances considered by the Committee to be exceptional, no option may be granted to a participant if this would, at the date of grant, cause the total of the aggregate market value of Ordinary Shares comprised in such option together with the aggregate market value of any Ordinary Share issued or remaining issuable pursuant to options granted under the Existing Scheme and any other share option scheme (not being a savings related scheme) established by the Company to exceed four times his annual remuneration payable by the Readybuy Group.

#### 9.1.5 Rights and Restrictions

An option granted under the Existing Scheme is not transferable and generally may only be exercised within the period of three to ten years after the date of grant except in circumstances referred to below. The exercise of an option may be subject to such performance related conditions as the Committee may determine (but the Committee are not obliged to set such conditions). In certain circumstances, the Committee may waive or vary any performance related conditions.

An option is exercisable within a period of 6 months at the discretion of the Committee if the option holder ceases to be employed within the Readybuy Group.

Options are exercisable within a limited period in the event of a takeover or voluntary winding-up of the Company and will in certain circumstances lapse if not so exercised.

#### 9.1.6 Allotment of Ordinary Shares

The Ordinary Shares allotted under the Existing Scheme will rank *pari passu* with the Company's issued ordinary shares save that any allotment made after the earlier of the date of announcement of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution will be made upon terms that the Ordinary Shares so allotted are not entitled to participate therein.

#### 9.1.7 Scheme Limits

The aggregate number of Ordinary Shares issued or remaining issuable under the Existing Scheme on (and including) any date of grant together with the number of Ordinary Shares issued or remaining issuable pursuant to options granted in the previous ten years under any other share option scheme approved by the Company in general meeting and the number of Ordinary Shares issued in those previous ten years under any profit sharing scheme approved by the Company in general meeting may not exceed 10% of the number of Ordinary Shares in issue immediately before the date of grant.

#### 9.1.8 Alteration

The Committee may alter the Existing Scheme except that (apart from minor amendments to benefit the administration of the Existing Scheme, to take account of a change in legislation or

to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Readybuy Group) no alteration which is to the advantage of participants can be made to various defined terms and certain provisions relating to selection of eligible employees, grants of options, limitations on grant, option period, variation of capital, takeover or the like and rights of shares issued under options without the prior approval of shareholders in general meeting.

#### 9.1.9 Benefits

Benefits under the Existing Scheme are not pensionable.

Optionholders are not required to pay the amount of employer's national insurance due on the exercise of an option under the Existing Scheme as a condition of exercise. PAYE income tax and employee's national insurance must be paid to the Company as a condition of exercise of an option under the Existing Scheme.

#### 9.1.10 There are currently no options which have been granted under the Existing Scheme which are capable of exercise, all such options having lapsed, been cancelled or waived.

### 9.2 *The Proposed Schemes*

Subject to the passing of Resolution 7 at the EGM, the Company proposes to adopt an Enterprise Management Incentive Scheme and, subject to the passing of Resolution 8 at the EGM, an Unapproved Option Scheme on Admission.

#### 9.2.1 The Enterprise Management Incentive Scheme

9.2.1.1 Subject to the passing of Resolution 7 at the EGM, the Company will establish an enterprise management incentive share option scheme (the "EMI Scheme") under which directors and employees of the Enlarged Group may be granted options ("EMI Options") to acquire Ordinary Shares. The EMI Scheme will be administered by the remuneration committee of the board of directors of the Company.

9.2.1.2 The principal features of the EMI Scheme will be as follows:

(a) Eligibility

Any full time director or employee who devotes at least 25 hours per week or 75% of his total working time (if less) to the business of the Enlarged Group is eligible to participate. Actual participation is at the discretion of the remuneration committee. EMI Options are personal to the participant and not capable of assignment. EMI Options shall be granted by deed with no consideration payable by the participant.

(b) Material Interest

No person may participate in the EMI Scheme if he has a "material interest" in the Company. Material interest means (broadly) ownership over 30% or more of the issued Ordinary Shares.

(c) Individual Participation Limits

The aggregate market value (measured at the date of grant) of Ordinary Shares over which all outstanding EMI Options which are qualifying EMI Options for the purposes of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 may be held by any one participant under the EMI Scheme and under any other EMI share option scheme adopted or operated by the Company may not exceed £100,000.

(d) Exercise Price

The exercise price for each Ordinary Share under EMI Option will be determined by the remuneration committee.

(e) Exercise of Options

An EMI Option will normally be exercisable only within the period of ten years after the date of grant.

(f) Performance Target

The remuneration committee may impose conditions as to performance which must normally be satisfied before EMI Options can be exercised. Having granted EMI Options and set a performance target, the remuneration committee may vary the performance target provided that the committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy.

(g) Scheme Limits

No EMI Options may be granted under the EMI Scheme on any date, if as a result:

- the total number of Ordinary Shares issued or issuable pursuant to options granted in the previous ten years under all share option schemes of the Company would exceed 10% of the Ordinary Shares in issue at that date; or
- the aggregate market value (at the date of grant) of all Ordinary Shares over which outstanding EMI Options subsist under the EMI Scheme would exceed £3 million.

(h) Income Tax and National Insurance Contributions

The EMI Scheme contains provisions that will ensure that any income tax, employee's and employer's national insurance contributions that arise as a result of the exercise of any EMI Options will be payable by the participant.

(i) Shares Issued on Exercise of EMI Options

Ordinary Shares allotted under the EMI Scheme rank *pari passu* with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the EMI Option).

(j) Takeovers

In the event of a takeover, amalgamation or reconstruction of the Company, EMI Options may be exercised in full although the remuneration committee has a discretion to require Optionholders to take replacement options in the acquiring company, if offered, in place of exercising their options.

(k) Variation of Share Capital

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Ordinary Shares subject to a subsisting EMI Option and the price payable on exercise may be adjusted.

(l) Alterations to the EMI Scheme

The Continuing Directors may alter the EMI Scheme but certain amendments cannot take effect without shareholder approval.

(m) Pension Rights

None of the benefits which may be received under the EMI Scheme shall be pensionable.

### 9.2.2 The Unapproved Option Scheme

Subject to the passing of Resolution 8 at the EGM, the Company will establish an unapproved share option scheme (the "Unapproved Scheme") under which directors and employees of the

Enlarged Group may be granted unapproved options (“Unapproved Options”). This is similar to the EMI Scheme referred to above, save as follows:

#### 9.2.2.1 Eligibility

The Unapproved Option Scheme is open to any employee or director of the Enlarged Group regardless of the amount of time such employee or director devotes to the Enlarged Group.

#### 9.2.2.2 Material interest

There is no restriction on a person participating if he has a “material interest” (which means (broadly) ownership over 30% or more of the issued Ordinary Shares).

#### 9.2.2.3 Individual Participation Limits

There are no individual limits on any one participant in the Unapproved Option Scheme.

#### 9.2.2.4 Scheme Limits

No Unapproved Options may be granted under the Unapproved Option Scheme on any date, if as a result the total number of Ordinary Shares issued or issuable pursuant to options granted in the previous 10 years under all share option schemes of the Company would exceed 10% of the Ordinary Shares in issue at that date. There are no financial limits on the value of Ordinary Shares under Unapproved Option.

#### 9.2.2.5 Tax

The holders of Unapproved Options will not benefit from the advantageous tax treatment afforded to the holders of EMI Options.

### 10. Proposed Directors’ New Service Contracts

Particulars of the new service contracts and letters of appointment entered into by Professor Alastair Smith and the Proposed Directors, conditional upon Admission, are as follows:

10.1 Professor Alastair Smith has entered into a service agreement with the Company dated 13 July 2006 for an initial period of 12 months and subject to termination upon 6 months’ notice by either party to expire at the end of the initial period or at any time thereafter. The agreement requires Professor Smith to work for four days a week for the Company. The agreement currently provides for an annual salary of £35,000. Under the terms of a secondment agreement with the University of Leeds, Avacta will pay a further £6,955 (plus VAT) per month throughout the period 1 August 2006 to 31 July 2007 in respect of the secondment of Professor Smith’s services to Avacta. The University of Leeds pays 50% of the monthly fee to Professor Smith in respect of the salary paid to him by the University of Leeds. The remaining 50% of the monthly fee covers the University of Leeds’ overheads.

10.2 Dr. Simon Webster has entered into a service agreement with the Company dated 13 July 2006 for an initial period of 12 months and subject to termination upon 6 months’ notice by either party to expire at the end of the initial period or at any time thereafter. The agreement currently provides for an annual salary of £65,000.

10.3 Dr. Kurt Baldwin has entered into a service agreement with the Company dated 13 July 2006 for an initial period of 12 months and subject to termination upon 6 months’ notice by either party to expire at the end of the initial period or at any time thereafter. The agreement currently provides for an annual salary of £65,000.

In addition to the basic salary, Professor Smith, Dr. Webster and Dr. Baldwin are entitled to 25 days’ paid holiday and, subject to the discretion of the Remuneration Committee, a bonus. Each of the proposed new service contracts to be entered into by Professor Smith, Dr. Webster and Dr. Baldwin restricts the individual from competing with the Company and/or soliciting customers for a period of six months from the date of service of notice to terminate employment.

10.4 The services of Dr. Gwyn Humphreys as Non-executive Director are provided under the terms of an appointment letter from the Company to him dated 13 July 2006 which provides for an initial fee of £20,000 per annum, such appointment being terminable upon three months’ notice.

- 10.5 The services of Professor Tony Robards as Non-executive Director are provided under the terms of an appointment letter from the Company to him dated 13 July 2006 which provides for an initial fee of £15,000 per annum, such appointment being terminable upon three months' notice.
- 10.6 The services of Alan Aubrey as Non-executive Director are provided under the terms of an appointment letter from the Company to him dated 13 July 2006 which provides for an initial fee of £15,000 per annum, such appointment being terminable upon three months' notice.
- 10.7 The services of Tim Sykes, via his company, Penta Financial Direction Limited ("Penta"), are provided to the Company under the terms of a consultancy agreement between the Company and Penta dated 13 July 2006 for a minimum of one day per week at a rate of £750 per day. The provision of services is for a minimum of 12 months and thereafter can be terminated on 6 months' notice by either party. In addition the consultancy agreement restricts each of Tim Sykes and Penta from soliciting customers and employees for a period of 12 months after termination of that agreement.

Save as disclosed in this document there are no Directors' service contracts or contracts in the nature of services with the Company or any member of the Enlarged Group other than those which expire or are terminable without payment of compensation on no more than 12 months' notice.

#### **11. Directors Existing Service Contracts**

During the year ended 30 April 2006 none of Colin Davies (who has served as a director of the Company from 8 September 2003 to 7 July 2006), Keith Salisbury (who has served as a director of the Company from 20 August 2003 to 7 July 2006) or Mr Yeung (who served as a director of the Company from 8 September 2003 to 11 April 2006 when he resigned) received any remuneration from the Company in respect of services rendered.

Colin Davies and Keith Salisbury were each paid £10,000 on 9 May 2006 and a further £2,937.50 on 7 July 2006 for services rendered in relation to the subscription by the Existing Concert Party and WH Ireland which took place on 11 April 2006 and the Capital Reorganisation and for services provided up to the date of their resignation (including compensation for loss of office).

As at the date of this document, neither of the Directors has a service contract with the Company nor has received since their appointment any remuneration from the Company.

#### **12. Employees**

As at the date of this document, Readybuy and the Readybuy subsidiary have no employees located in the United Kingdom. Avacta and the Avacta Subsidiary have 10 employees located in the United Kingdom.

#### **13. One-Off Payments**

Timothy Sykes will receive a one-off payment of £4,000 on Admission in respect of services rendered. There will be no other one-off payments to the Proposed Directors prior to or conditional upon Admission.

#### **14. Share Price**

The middle market price of the Ordinary Shares for the previous six months and the last business day prior to issue of this document were as follows:

<i>Date</i>	<i>Middle Market Price/p</i>
1 February 2006	1.50
1 March 2006	1.50
3 April 2006	1.25
2 May 2006	3.00
1 June 2006	3.75
3 July 2006	3.25
12 July 2006	3.50

## **15. Material Contracts**

Save for the following contracts, no member of the Enlarged Group has entered into any contract (not being a contract entered into in the ordinary course of business) (i) within the two years immediately preceding the date of this document which is or may be material or (ii) at any other time and which contains any provision under which any member of the Enlarged Group has any obligation or entitlement which is material to the Enlarged Group as at the date of this document:

### **15.1 Subscription Agreement**

Under the terms of a subscription agreement entered into as part of the Capital Reorganisation, the Existing Concert Party and WH Ireland subscribed on 11 April 2006 for 105,000,000 Ordinary Shares.

### **15.2 Existing Warrant Instrument**

Under the terms of the Existing Warrant Instrument dated 11 April 2006 each member of the Existing Concert Party and WH Ireland were issued a warrant to subscribe for 1 Ordinary Share for every 2 Ordinary Shares issued to that member of the Existing Concert Party or WH Ireland pursuant to the subscription agreement. The Existing Warrants are freely transferable, (subject to procedural compliance) are exercisable at a price of 0.25p per share at any time prior to 8 May 2013 and may be exercised in full or in more than one tranche. The Existing Warrants will not be admitted to AIM prior to their exercise. Further details are set out at paragraph 3 of this Part VIII.

### **15.3 Placing Agreement**

A placing agreement dated 13 July 2006 between (1) WH Ireland, (2) the Directors (3) the Proposed Directors and (4) the Company, was entered into, pursuant to which WH Ireland has agreed to use its reasonable endeavours to arrange for placees to subscribe for 45,000,000 Placing Shares at the Placing Price. The agreement is conditional *inter alia* upon First Admission taking place on or before 8 August 2006 or such later date as WH Ireland and the Company may agree but in any event not later than 31 August 2006. The Company will pay to WH Ireland a success fee of £75,000 together with all costs and expenses and VAT thereon where appropriate. The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisors, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The agreement contains certain warranties given by the Company the Directors and the Proposed Directors in favour of WH Ireland as to the accuracy of information contained in this document and an indemnity from the Company in favour of WH Ireland.

WH Ireland may terminate the Placing Agreement in specified circumstances prior to First Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or where any event of omission relating to the Enlarged Group is, or will in the opinion of WH Ireland, materially prejudicial to the successful outcome of the Placing, or where any change in national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of WH Ireland, materially prejudicial to the successful outcome of the Placing.

### **15.4 Acquisition Agreement**

The Acquisition Agreement was entered into on 13 July 2006 between the Initial Vendors and the Company whereby, conditional upon *inter alia* First Admission and the passing of the Resolutions , the Company agreed to purchase the entire issued share capital of Avacta in consideration for the issue by the Company of 475,530,102 of the Consideration Shares credited as fully paid. Professor Alastair Smith and those of the Initial Vendors that are Proposed Directors have given warranties in favour of the Company in relation to Avacta's business, financial affairs and related matters. Professor Smith, Dr. Kurt Baldwin and Dr. Simon Webster have agreed to give the Company a restrictive covenant for a period of two years pursuant to which they agree not to compete with the business of Avacta as carried on at the date of First Admission.

**15.5 Supplemental Acquisition Agreement**

The Supplemental Acquisition Agreement was entered into on 13 July 2006 between the Supplemental Vendors and the Company whereby, conditional upon *inter alia* Second Admission and the Acquisition Agreement being completed in accordance with its terms the Company agreed to purchase the Avacta Option Shares in consideration for the issue by the Company of 24,469,898 of the Consideration Shares credited as fully paid. The Supplemental Vendors have agreed to give warranties as to their respective title to the shares being sold by them but otherwise are not giving any warranties to the Company.

**15.6 WH Ireland Engagement Letters**

The Company is party to nominated adviser and broker agreements dated 13 July 2006 between (1) the Company, (2) WH Ireland as nominated adviser and (3) WH Ireland as nominated broker, pursuant to which the Company has appointed WH Ireland, subject to First Admission, to act as nominated adviser and stockbroker to the Company for the purposes of AIM for a period of 12 months commencing on the date of the agreement. The Company has agreed to pay WH Ireland a fee of £25,000 plus VAT per annum. The agreement is terminable on 6 months' notice by any party.

In addition, by letters of engagement dated 26 August 2003, the Company appointed WH Ireland as brokers to the Company and nominated advisers pursuant to the AIM Rules in connection with the admission of the then existing ordinary share capital of the Company to AIM in September 2003. Under the terms of the engagement letters, WH Ireland was entitled to receive from the Company annual advisory fees of £10,000 plus VAT. These letters of engagement will, subject to First Admission, be superseded by the agreement dated 13 July 2006.

**15.7 Lock in and orderly marketing agreement**

On 13 July 2006, a lock in and orderly marketing agreement was entered into between the Company (1), WH Ireland (2) and the Vendors (3) under which the Vendors agreed not to dispose (save in certain specified circumstances) of Locked In Shares at any time in the first 12 months following First Admission (the "First Restricted Period"). In addition during the period of 12 months commencing on the termination of the First Restricted Period the Vendors have undertaken to only dispose of Locked In Shares, or Ordinary Shares which are acquired by them during that period through WH Ireland or such other broker as may have been appointed by the Company in the stead of WH Ireland so as to maintain an orderly market in the Ordinary Shares.

The circumstances in which the lock in arrangements will not apply are as follows:

- (i) in acceptance of a general offer made to Shareholders to acquire all of the Ordinary Shares;
  - (a) whether or not such general offer shall have been recommended by the Board or whether or not it shall have become unconditional as to acceptances; or
  - (b) pursuant to the provision of an irrevocable undertaking to accept such an offer;
- (ii) for a disposal by the personal representatives of the Vendor;
- (iii) for a disposal pursuant to an intervening court order made by any court of competent jurisdiction or pursuant to any compromise or arrangement under section 425 or 427A of the Act;
- (vii) pursuant to any offer by the Company to purchase its own shares which is made on identical terms to all Shareholders and otherwise complies with the Act;
- (viii) to a Permitted Transferee; or
- (ix) pursuant to a disposal or transfer to raise funds to discharge any liability arising from a claim(s) made against the Vendor under the terms of the Placing Agreement, the Initial Acquisition Agreement or the Supplemental Acquisition Agreement.

- 15.8 Save as disclosed in Part I and Part VIII of this document, no member of the New Concert Party has entered into any contract (not being a contract entered into in the ordinary course of business) (i) within the two years immediately preceding the date of this document which is or may be material or (ii) at any other time and which contains any provision under which any member of the New Concert Party has any obligation or entitlement which is material to the New Concert Party as at the date of this document.

## **16. Related Party Transactions**

Save as disclosed in note 26 of Part III of this document in respect of Readybuy and in note 20 of Part IV of this document in respect of Avacta, the Directors and Proposed Directors are not aware of any transactions that would constitute a related party transaction.

## **17. Litigation**

No member of the Enlarged Group is or has during the past 12 months been engaged in any governmental, legal or arbitration proceedings nor, so far as the Directors or the Proposed Directors are aware, are any such proceedings pending or threatened against the Enlarged Group which are having, have had or may have a significant effect on the Enlarged Group's financial position or profitability.

## **18. Investments**

The Company's only investments are in Oriental which was valued at £nil in the audited accounts of the Company for the period ended 30 April 2006 and, conditionally on Admission taking place, in Avacta and Avacta Analytical, pursuant to the Acquisition, which is valued at £1 in the short form audited accounts of Avacta and which the Company proposes to finance by the issue of the Consideration Shares.

## **19. Taxation**

19.1 The following statements are intended only as general guidance to current UK taxation law and practice. They may not apply in particular circumstances, for example to certain persons who hold shares in the Company other than as an investment, who are not resident or ordinarily resident in the UK for UK tax purposes or to charities or persons with special tax status or claiming special tax relief or treatments. The following statements do not address any potential taxation which may arise outside the UK. Any persons who are in any doubt about their tax position are strongly advised to consult their own professional adviser.

### **19.2 *Taxation of dividends***

No tax will be withheld by the Company on dividends it pays.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10% of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income.

An individual shareholder who is not liable to income tax above the basic rate (currently 22%) will have no income tax to pay in respect of a dividend from the Company.

The higher rate of income tax on dividends is currently 32.5%. This means that a shareholder who is a higher rate taxpayer (currently 40%) will have further income tax to pay at a rate of 22.5% of the cash dividend paid plus the related tax credit (or 25% of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer will be 32.5% of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

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, including pension funds, charities and certain individuals are not entitled to claim repayment of any part of the tax credit associated with the dividend from H M Revenue & Customs.

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.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim repayment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. 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 to what relief or credit may be claimed in the jurisdiction in which they are resident.

#### 19.3 *Taxation of chargeable gains*

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

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, 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. If a Shareholder disposes of all or some of his Ordinary Shares for an amount in excess of their base cost, a liability to tax on chargeable gains may arise. In the case of individuals and trustees, chargeable gains may be reduced by taper relief, the amount of which depends on various factors including, in particular, the length of ownership of the Ordinary Shares and the Company's status as a trading company for taper relief purposes.

Corporate shareholders are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain but cannot create an allowable loss.

#### 19.4 *Enterprise Investment Scheme (EIS)*

The Company has obtained provisional assurance from H M Revenue & Customs that an investment in the Company's Ordinary Shares should qualify for EIS tax reliefs. However, investors should note that the Company does not, and the Directors do not, make any representations nor give any warranty as to whether any investment in the Company will be one in respect of which tax relief under the EIS scheme will be available or that, in the event that any such tax relief is available, it will not be subsequently withdrawn by virtue of the Company's future actions.

Following the issue of new Ordinary Shares, the Company must apply to H M Revenue & Customs for the authorisation to issue tax relief certificates (form EIS3) to investors. Although the time taken by H M Revenue & Customs to grant authorisation cannot be controlled by the Company, every effort will be made by the Directors to expedite matters and, as soon as authorisation is given, forms EIS3 will be distributed to investors. Investors should then submit the form EIS3 to the Inspector of Taxes dealing with their own affairs.

#### 19.5 *Venture Capital Trust Scheme*

The Company has obtained provisional confirmation from H M Revenue & Customs than an investment in the Company should be a qualifying holding for VCT purposes. However, investors should note that the Company does not, and the Directors do not, make any representations nor give any warranty as to whether the investment in the Company will be a qualifying holding for VCT purposes or that, in the event that it is such a holding, it will not subsequently cease to be by virtue of the Company's future actions.

#### 19.6 *Inheritance Tax*

Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or on the death of, an individual shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax.

Some shareholdings in unquoted trading companies qualify for business property relief at rates up to 100% Shares in companies listed on AIM qualify as unquoted for this purpose, although HM Revenue and Customs does not give advance clearance that shares in a particular company qualify for this relief.

#### 19.7 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will generally be payable on the issue of the Ordinary Shares.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.

## **20. Working Capital**

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry that, taking into account the net proceeds of the Placing, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least 12 months from the date of this document.

## **21. Intellectual Property**

Save as disclosed in paragraph 3 of Part I of this document, there are no patents or intellectual property rights, licences or particular industrial, commercial or financial contracts or new manufacturing processes which are material to the Enlarged Group's business.

## **22. Environmental**

The Directors and the Proposed Directors are not aware of any environmental issues that may affect the utilisation by the Company (or the Enlarged Group) of any of their respective tangible fixed assets.

## **23. General**

- 23.1 The total expenses payable in connection with the Acquisition, the Admission and the Placing are estimated to amount to approximately £375,000 (including VAT), and will be payable by the Company.
- 23.2 Baker Tilly, which is a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its report and references thereto (for which it takes responsibility accordingly) and its name in the form and context in which it appears.
- 23.3 WH Ireland, which is regulated by the Financial Services Authority 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 it appears.
- 23.4 Save as disclosed in this document there have been no interruptions in the business of the Company or which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Company.
- 23.5 Save as disclosed in this document there have been no interruptions in the business of Avacta or which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of Avacta.
- 23.6 The Ordinary Shares are in registered form. No temporary documents of title have been issued. The Ordinary Shares will only be traded on AIM.
- 23.7 Save as disclosed in note 28 of the financial information on the Company set out in Part III of this document, there has been no significant or material change in the financial or trading position of the Company since 30 April 2006 being the date of the most recent audited accounts of the Company.
- 23.8 There has been no significant change in the financial or trading position of Avacta since 31 March 2006, being the date of the most recent audited accounts of Avacta.
- 23.9 Save as disclosed in note 4 of Part VI of this document, there has been no significant or material change in the financial or trading position of IP Group since 31 December 2005 being the date of the most recent audited accounts of IP Group.
- 23.10 The financial information relating to the Company set out in this document does not constitute statutory accounts of the Company (within the meaning of section 240 of the Act). Statutory accounts have been delivered to the registrar of companies for all accounting periods up to and including 30 April 2005. Auditors' reports in respect of the statutory accounts for each of these periods have been made under section 235 of the Act and each such report was an unqualified report and did not contain any statement under sections 237(2) or 237(3) of the Act.
- 23.11 The Company's registrar and paying agent for payments of dividends is Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The Company's registrar is responsible for keeping and maintaining the Company's register of members.

- 23.12 The annual accounts of the Company have been audited in accordance with national law for the three years ended 30 April 2006 by Chadwick LLP, Chartered Accountants, a member firm of the Institute of Chartered Accountants in England and Wales, of Television House, 10-12 Mount Street, Manchester M2 5NT.
- 23.13 Currently, Avacta is not required to publish audited accounts. The unaudited abbreviated accounts for the periods 26 January 2004 to 31 July 2004 and 1 August 2004 to 31 July 2005 were prepared by Turner Bamforth LLP of Yorkshire Technology Park, Armitage Bridge, Huddersfield, HD4 7NR. Avacta will appoint new auditors on Admission.
- 23.14 Save as disclosed in paragraph 11 of Part VIII of this document and except for fees payable to the professional advisers whose names are set out on page 8 of this document, and payments to trade suppliers, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 23.15 Copies of this document will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of WH Ireland.

#### **24. Documents on Display**

The following documents can be inspected, free of charge, at the offices of Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES between the hours of 9.00 a.m-5.00 p.m Monday to Friday until the close of business on 9 August 2006:

- 24.1 The Memorandum and Articles of Association of the Company, IP Group and Techtran;
- 24.2 Audited Accounts of the Company for the period ended 30 April 2004 and the years ended 30 April 2005 and 30 April 2006;
- 24.3 Audited accounts of IP Group for the years ended 31 December 2004 and 31 December 2005;
- 24.4 Audited accounts of Techtran for the periods ended 30 April 2004 and 31 December 2004;
- 24.5 The letters of appointment and service contracts of the Directors and the Proposed Directors;
- 24.6 The written consents referred to in this document; and
- 24.7 The material contracts referred to in paragraph 15 of Part VIII of this document.

Date: 13 July 2006

# Readybuy plc

(Incorporated in England and Wales with registered number 4748597)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

A NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Readybuy plc (the "Company") will be held at the offices of Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES, on 7 August 2006 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTION

1. That subject to the passing of Resolution 3, the waiver granted by the Panel on Takeovers and Mergers of the requirement under Rule 9 of the City Code on Takeovers and Mergers for the members of the New Concert Party (as defined in the admission document dated 13 July 2006 containing the Notice of Extraordinary General Meeting) (**the Admission Document**) individually or collectively to make a general offer to the shareholders of the Company as a result of: (i) the allotment and issue of 500,000,000 ordinary shares of 0.1p in the Company to the members of the New Concert Party pursuant to the Acquisition (as defined in the Admission Document), such that they would hold up to 501,200,000 new Ordinary Shares of 0.1p each in the Company (including any holdings of Existing Ordinary Shares) representing approximately 74.88% of the Enlarged Share Capital (as defined in the Admission Document); and (ii) the allotment and issue of 23,459,389 ordinary shares of 0.1p in the Company following the exercise of options by the members of the New Concert Party proposed to be granted under the New Schemes such that their shareholding would increase to approximately 75.73% of the Enlarged Share Capital, be and is hereby approved.

### SPECIAL RESOLUTIONS

2. That subject to the passing of resolution 3 and Admission (as defined in the Admission Document) the name of the Company be changed to Avacta Group plc.
3. That, subject to the passing of resolutions 1,4,5 and 6:
  - (a) The acquisition on the terms and subject to the conditions set out in an agreement dated 13 July 2006 and made between (1) David Alastair Smith and others and (2) the Company (a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification) (**the Acquisition Agreement**) be and is hereby approved, and the directors or any duly authorised committee be and are hereby authorised to take all steps that they consider necessary or desirable to carry the arrangements contemplated by the Acquisition Agreement into effect and that the consent of the shareholders to the transactions contemplated by the Acquisitions Agreement be and is hereby given.
  - (b) In accordance with section 320 of the Companies Act 1985 (as amended) ("the Act"), the Company be authorised to purchase pursuant to the Acquisition Agreement shares held by Professor Alastair Smith, a director of the Company, under the terms of the Acquisition Agreement.
  - (c) The acquisition on the terms and subject to the conditions set out in an agreement dated 13 July 2006 and made between (1) Kurt Baldwin and others and (2) the Company (a copy of which has been produced to the meeting and initialled by the chairman for the purposes of identification) (**the Supplemental Acquisition Agreement**) be and is hereby approved, and the directors or any duly authorised committee be and are hereby authorised to take all steps that they consider necessary or desirable to carry the arrangements contemplated in the Supplemental Acquisition Agreement into effect and that the consent of the shareholders to the transactions contemplated by the Supplemental Acquisition Agreement be and is hereby given.
4. That subject to the passing of resolutions 1, 3, 5 and 6 the authorised share capital of the Company be hereby increased from £350,000.00 to £1,000,000.00 by the creation of 650,000,000 new Ordinary Shares of 0.1p each ranking *pari passu* in all respects with the existing Ordinary Shares.
5. That, subject to the passing of resolutions 1, 3 and 4 in substitution of all previous authorities, for the purpose of section 80 of the Act, the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to an aggregated nominal amount of £700,000 for the period expiring at the earlier of the conclusion of the next annual

general meeting or the date 15 months from the date that this resolution comes into effect (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to section 80 of the Act are revoked (save to the extent relied upon prior to the passing of this resolution).

6. That, subject to the passing of resolutions 1, 3, 4 and 5 the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 5 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment PROVIDED THAT this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired and further provided that such power shall be limited to:
  - (i) the allotment and issue of up to 475,530,102 Ordinary Shares pursuant to the Acquisition Agreement;
  - (ii) the allotment and issue of up to 24,469,898 Ordinary Shares pursuant to the Supplemental Acquisition Agreement;
  - (iii) the allotment of up to 45,000,000 Ordinary Shares pursuant to the Placing (as defined in the Admission Document);
  - (iv) the allotment of equity securities in connection with a rights issue, open offer or any other *pro rata* offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under laws or requirements of any recognised regulatory body or any stock exchange in any territory; and
  - (v) the allotment (otherwise than pursuant to sub-paragraphs (i) to (iv) above inclusive) of equity securities up to an aggregate nominal value of £33,500.
7. That, subject to the passing of resolutions 1, 3, 4, 5 and 6 the Readybuy plc Enterprise Management Incentive Scheme (a copy of which has been produced to the meeting and initialled by the chairman for the purposes of identification) be and is hereby approved and adopted.
8. That, subject to the passing of resolutions 1, 3, 4, 5 and 6 the Readybuy plc Unapproved Option Scheme (a copy of which has been produced to the meeting and initialled by the chairman for the purposes of identification) be and is hereby approved and adopted.

13 July 2006

By Order of the Board

Secretary

Notes:

- (1) Every Member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Authorised representatives of corporate members have full voting powers. Members who have lodged forms of proxy are not thereby prevented from attending the meeting and voting in person if they so wish.
- (2) To be effective, the form of proxy (together with any power of attorney or other written authority under which it is signed or a notarially certified copy of such power or written authority) must be lodged at the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, no later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting (not less than 24 hours before the time appointed for the taking of the poll at which it is to be used).
- (3) Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.
- (4) Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the Extraordinary General Meeting is at 11.00 a.m. on 5 August 2006. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (5) As explained in the Admission Document, voting on Resolution 1 is required to be conducted on a poll of Independent Shareholders in accordance with the requirements of the Panel on Takeovers and Mergers for a waiver of the obligation that would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers.