THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-entitlement) please immediately forward this document together with the accompanying Form of Proxy, the Application Form and reply pre-paid envelope to the purchaser(s) or transferee(s) or the stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). However, these documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia, Japan or Ireland or their respective territories or possessions. If you have sold or transferred some of your Existing Ordinary Shares (other than ex-entitlement), you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer deed was effected.

A copy of this document, which comprises a prospectus relating to Peerless Technology Group plc (the "**Company**") and has been drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended (the "**POS Regulations**"), has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. Copies of this document will be available for inspection by the public free of charge during normal business hours on any day (Saturdays, Sundays and UK public holidays excepted) at the registered office of Peerless Technology Group plc for the time being, currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK for a period of one month from the date of this document and at the offices of Norton Rose, Kempson House, Camomile Street, London, EC3A 7AN, UK until Admission.

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

The Principal Vendors accept responsibility for the information contained in this document relating to Alliance Pharmaceuticals Limited ("**Alliance**") and to the Concert Party. To the best of the knowledge and belief of the Principal Vendors, who have taken all reasonable care to ensure that such is the case, the information contained in this document relating to Alliance and to the Concert Party 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 entire issued share capital of the Company and the Convertible Loan Stock to be admitted to trading on the Alternative Investment Market of the London Stock Exchange plc. It is expected that Admission will become effective and that dealings on AIM will commence in the entire issued share capital of the Company and the Convertible Loan Stock on 23 December 2003. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not 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. London Stock Exchange plc has not itself examined nor approved the contents of this document. The rules of AIM are less demanding than those of the Official List. No application is being made for admission of the Existing Ordinary Shares, the New Ordinary Shares or the Convertible Loan Stock to the Official List.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

PEERLESS TECHNOLOGY GROUP PLC

Proposed Acquisition of Alliance Pharmaceuticals Limited and Change of Name
Placings (incorporating a Vendor Placing) and Open Offer
Application for admission to trading on the Alternative Investment Market
Approval of waiver under Rule 9 of The City Code on Takeovers and Mergers
Amendment of Articles of Association
and
Notice of Extraordinary General Meeting

Nominated Adviser
Numis Securities Limited

Broker
Numis Securities Limited

Neither the Placings nor the Open Offer are being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or Ireland or any other jurisdiction in which such Placings, Open Offer or solicitation is unlawful. Accordingly, this document and the accompanying Application Form are not being and should not be posted or otherwise distributed or sent in, into or from the United States, Canada, Australia, Japan, Ireland or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The New Issue Shares and the Convertible Loan Stock to be allotted pursuant to the Placings and the Open Offer and the Vendor Placing Shares to be placed pursuant to the Vendor Placing have not been and will not be registered under the Securities Act or under the relevant securities laws of any state or other jurisdiction of the United States, Canada, Australia, Japan or Ireland. Accordingly, neither the New Issue Shares nor the Convertible Loan Stock to be allotted pursuant to the Placings and the Open Offer nor the Vendor Placing Shares to be placed pursuant to the Vendor Placing are being, and may not (unless an exemption under the Securities Act or other relevant securities laws is available) be offered, sold, or delivered, directly or indirectly, in, into or from the United States, Canada, Australia, Japan, Ireland or any other jurisdiction where this would constitute a violation of the relevant laws of, or require registration thereof in, such a jurisdiction or to, or for the account or benefit of, any US persons or a person in, or resident of Canada, Australia, Japan or Ireland. Overseas shareholders and any other person (including without limitation, nominees, trustees or custodians) who has a contractual or legal obligation to forward this document or the Application Form outside the United Kingdom should read the paragraph "Overseas Shareholders" in Part III of this document before taking any action.

The latest time and date for acceptance and payment in full for the Open Offer Shares under the Open Offer is 3.00 p.m. on 19 December 2003. The procedure for acceptance and payment is set out in Part III of this document and in the accompanying Application Form. An application may only be made on the Application Form, which is personal to the Shareholder(s) named thereon and may not be assigned, transferred or split, except to satisfy *bona fide* market claims. Qualifying Shareholders who wish to apply for Open Offer Shares under the Open Offer should complete the Application Form in accordance with the instructions printed on it, and return it, together with the appropriate remittance, by post in the reply pre-paid envelope provided or (during normal business hours only) by hand, so as to be received by Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, UK not later than 3.00 p.m. on 19 December 2003.

Numis Securities Limited, which is authorised in the UK under the Financial Services and Markets Act 2000 ("**FSMA**") by the Financial Services Authority ("**FSA**") for investment business activities, is acting as nominated adviser and broker to the Company in connection with the proposed Admission, Placings and Open Offer and for the purposes of the Code. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or Proposed Director nor to any other person in respect of his decision to acquire securities in the Company in reliance on this document or any part hereof. Numis Securities Limited is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis Securities Limited or for giving advice in relation to the Code.

Navigatorltd Limited, which is authorised in the UK under FSMA by the FSA for investment business activities, is acting, for the purposes of the Code, exclusively for Alliance and for no one else and will not be responsible to anyone other than Alliance for providing the protections afforded to clients of Navigatorltd Limited or for giving advice in relation to the Code.

No representation or warranty, express or implied, is made by Numis Securities Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Numis Securities Limited will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities Limited or for providing advice in relation to the contents of this document or any other matter.

Notice of an Extraordinary General Meeting of the Company is set out at the end of this document. The EGM is to be held at the registered office of the Company, for the time being currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK, at 11.00 a.m. on 22 December 2003. Shareholders are urged to complete and return the enclosed Form of Proxy for use at such EGM whether or not they intend to be present in person at the EGM. To be valid, the enclosed Form of Proxy for use at the EGM should be completed, duly signed and returned in accordance with the instructions printed thereon so as to be received by Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, UK as soon as possible but in any event not later than 11.00 a.m. on 20 December 2003, which is 48 hours before the EGM. Completion and posting of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the EGM.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	close of business on 24 November 2003
Latest time and date for splitting of Application Forms (to satisfy *bona fide* market claims only)	3.00 p.m. on 17 December 2003
Latest time and date for receipt of completed Application Forms and payment in full under the Placings and the Open Offer	3.00 p.m. on 19 December 2003
Latest time and date for receipt of Forms of Proxy in respect of the EGM	11.00 a.m. on 20 December 2003
Extraordinary General Meeting	11.00 a.m. on 22 December 2003
Completion of the Acquisition	23 December 2003
Admission effective and dealings in the New Ordinary Shares and the Convertible Loan Stock commence on AIM	23 December 2003
CREST member accounts credited	23 December 2003
Despatch of definitive share certificates in respect of the New Ordinary Shares and the Convertible Loan Stock	5 January 2004

If you have any queries on the procedure for acceptance and payment under the Open Offer you should contact Capita IRG Plc. The telephone number of Capita IRG Plc is 0870 162 3100 or, if calling from outside the UK, +44 20 8639 2157. Please note that Capita IRG Plc cannot offer you any investment advice in relation to the Open Offer.

STATISTICS

Number of Existing Ordinary Shares	14,962,500
Number of Consideration Shares to be issued pursuant to the Acquisition	72,916,667
Percentage of Enlarged Share Capital represented by the Consideration Shares	65.81 per cent.
Issue Price	16 pence
Number of New Issue Shares and Vendor Placing Shares the subject of the Placings and the Open Offer	25,000,000
Number of Open Offer Shares to be issued pursuant to the Open Offer assuming that the Open Offer is subscribed in full	7,481,250
Number of Ordinary Shares in issue upon Completion	110,793,903
Market capitalisation of the Company, upon completion of the Proposals, at the Issue Price excluding conversion of any of the Convertible Loan Stock	£17.73 million
Aggregate nominal amount of Convertible Loan Stock to be issued pursuant to the Placings	£7.5 million
Maximum number of Ordinary Shares which may be issued upon conversion in full of the Convertible Loan Stock	35,714,285
Number of Ordinary Shares in issue upon completion of the Proposals and assuming conversion in full of all of the Convertible Loan Stock	146,508,188
Gross proceeds of the Placings and the Open Offer (excluding the Vendor Placing)	£11.2 million

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors of the Company:	Ajaz Ahmed (*Non-executive Chairman*) Jeremy Mark Fenn (*Managing and Finance Director*) Richard Mark James (*Executive Director*) Steven Charles Andrew Harris (*Non-executive Director*)
Company Secretary:	Richard Mark James (*solicitor*) *all of whose business address is currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA*
Registered Office:	Nidderdale House Beckwith Knowle Otley Road Harrogate HG3 1SA
Proposed Directors of the Company:	John Dawson Anthony Richard Booley Stella Anne Dawson (a.k.a. Sam Madden) Madeleine Elizabeth Scott Paul Ranson *all of whose business address is currently at Avonbridge House, Bath Road, Chippenham,Wiltshire SN15 2BB*
Nominated Adviser, Broker and Financial Adviser to the Company:	**Numis Securities Limited** Cheapside House 138 Cheapside London EC2V 6LH
Solicitors to the Company and to Numis Securities Limited:	**Norton Rose** Kempson House Camomile Street London EC3A 7AN
Financial Adviser to Alliance:	**Navigatorltd Limited** Adam House 7-10 Adam Street London WC2N 6AA
Solicitors to Alliance and the Alliance Shareholders:	**Stringer Saul** 17 Hanover Square London W1S 1HU
Reporting Accountants and Auditors to the Company:	**Grant Thornton** Grant Thornton House Melton Street Euston Square London NW1 2EP
Auditors to Alliance:	**Robson Taylor** Charter House The Square Lower Bristol Road Bath BA2 3BH
Registrars:	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent:	**Capita IRG Plc** Corporate Actions PO Box 166 The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
Banker to Alliance:	**The Governor and Company of the Bank of Scotland** Beauclerc House 3 Queens Road Reading RG1 4AR

DEFINITIONS

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

"Acquisition"	the proposed acquisition by the Company of all the issued and to be issued share capital of Alliance and the BoS Warrant pursuant to the Share Purchase Agreements
"Act"	the Companies Act 1985, as amended
"Admission"	admission of the New Ordinary Shares and the Convertible Loan Stock to trading on AIM
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	The AIM Rules for companies whose shares are traded on AIM and their nominated advisers, as issued by the London Stock Exchange from time to time
"Alliance"	Alliance Pharmaceuticals Limited, incorporated and registered with the Registrar of Companies in England and Wales under number 3250064
"Alliance Directors" or **"Alliance Board"**	the directors of Alliance
"Alliance Group"	Alliance and its subsidiary undertakings
"Alliance Optionholders"	those persons who will, pursuant to existing subscription rights under option, acquire Alliance Shares prior to the Acquisition (being those persons listed in paragraph 9.1 of Part VIII other than John Dawson and Stella Anne Dawson (a.k.a. Sam Madden))
"Alliance Option Scheme"	the Alliance Pharmaceuticals Limited Annual Enterprise Management Incentive Plan and the Alliance Pharmaceuticals Limited Enterprise Management Incentive Plan
"Alliance Shareholders"	the existing holders of Alliance Shares together with the Alliance Optionholders (other than the Excluded Shareholders)
"Alliance Shares"	the A ordinary shares of 1p each and/or (as the case may be) the B ordinary shares of 1p each in the share capital of Alliance
"Application Form"	the application form accompanying this document on which Qualifying Shareholders may apply for Open Offer Shares under the Open Offer and which forms part of the terms and conditions of the Open Offer
"Articles"	articles of association of the Company
"Article 120 Borrowing Limit"	Article 120 of the Articles of Association as proposed to be amended by Resolution 6 to be proposed at the EGM and set out at the end of this document
"BoS"	The Governor and Company of the Bank of Scotland of Beauclerc House, 3 Queens Road, Reading, RG1 4AR
"BoS Warrant"	the warrant granted to the BoS Group pursuant to a warrant instrument executed by Alliance dated 23 September 2002 pursuant to which the BoS Group is entitled to subscribe for "A" Ordinary Shares of Alliance representing between 12.5 per cent. and 20 per cent. of the ordinary share capital of Alliance

"business day"	a day (other than a Saturday, Sunday or UK public holiday) on which banks are generally open for business in London
"certificated" or **"in certificated form"**	a share or other security which is not in uncertificated form (i.e. not in CREST)
"City Code" or **"Code"**	The City Code on Takeovers and Mergers
"Company" or **"Peerless"**	Peerless Technology Group Plc, incorporated and registered with the Registrar of Companies in England and Wales under number 4241478
"Completion"	completion of the Proposals
"Concert Party"	the Alliance Shareholders
"Consideration Share Agreements"	the two agreements, each dated 28 November 2003 between, in one case, Numis Securities (1), certain of the Alliance Shareholders (2) and the Company (3) and, in the other case, Numis Securities (1), the Excluded Shareholders (2) and the Company (3), in each case relating to the Vendor Placing, details of which are set out in paragraph 14.1.8 of Part VIII
"Consideration Shares"	the 72,916,667 new Ordinary Shares to be issued as part consideration for the Acquisition, credited as fully paid
"Controlling Shareholder Agreement"	a conditional deed dated 28 November 2003 between John Dawson (1) Stella Anne Dawson (a.k.a. Sam Madden) (2) and Peerless (3) which regulates the relationship between John Dawson, Stella Anne Dawson (a.k.a. Sam Madden) and the Company as described in paragraph 14.1.7 of Part VIII
"Convertible Loan Stock" or **"Stock"**	the £7.5 million 8 per cent. convertible unsecured subordinated loan stock 2013 to be issued by the Company in Units pursuant to the Placings and having the rights and being subject to the restrictions set out in the Trust Deed
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"Crest Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755)
"Directors" or **"Board"**	the directors of the Company
"Enlarged Group"	the Group as enlarged following Completion
"Enlarged Share Capital"	the enlarged issued ordinary share capital of the Company following implementation of the Proposals
"EURIBOR"	the percentage rate per annum equal to the offered quotation which appears on the page of the Telerate Screen which displays an average rate of the Banking Federation of the European Union for the Euro (being currently page 248)
"Excluded Shareholders"	Jason Cale and Trevillion Associates Limited
"Existing Ordinary Shares"	the 14,962,500 Ordinary Shares in issue on the Record Date

"Extraordinary General Meeting" or **"EGM"**	the extraordinary general meeting of the Company convened for 11.00 a.m. on 22 December 2003, notice of which is set out at the end of this document
"Form of Proxy"	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM
"FSMA"	the Financial Services and Markets Act 2000
"Group"	Peerless and its subsidiary undertakings as at the date of this document
"Independent Shareholders"	the Shareholders other than the Concert Party or their connected persons and Alliance (in the event that Alliance acquires any Ordinary Shares before the EGM)
"Issue Price"	16p per New Issue Share
"LIBOR"	the rate (expressed as an annual percentage rate) at which Sterling deposits are offered in the London Inter Bank Market by prime banks
"London Stock Exchange"	London Stock Exchange plc
"Memorandum"	the memorandum of association of the Company
"New Issue Shares"	the 22,914,736 new Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer Agreement
"New Ordinary Shares"	the Consideration Shares and the New Issue Shares
"Notice of EGM" or **"Notice of Extraordinary General Meeting"**	the notice of the EGM set out at the end of this document
"Numis Option"	the option granted to Numis to subscribe for the Numis Option Shares on the terms of the Numis Option Agreement
"Numis Option Agreement"	the agreement dated 28 November 2003 between (1) the Company and (2) Numis Securities relating to the Numis Option, details of which are set out in paragraph 14.1.9 of Part VIII
"Numis Option Shares"	the 1,384,924 Ordinary Shares representing 1.25 per cent. of the Enlarged Share Capital subject to the Numis Option Agreement
"Numis Securities"	Numis Securities Limited, incorporated and registered with the Registrar of Companies in England and Wales under number 02285918 whose registered office is at 5th Floor, Cheapside House, 138 Cheapside, London, EC2V 6LH
"Official List"	the Official List maintained by the UK Listing Authority
"Open Offer"	the conditional offer by Numis Securities, on behalf of the Company, to Qualifying Shareholders to subscribe for the Open Offer Shares on the terms and subject to the conditions set out in Part III and in the Application Form
"Open Offer Shares"	the 7,481,250 New Issue Shares which are the subject of the Open Offer
"Optionholders Share Purchase Agreement"	the conditional agreement dated 28 November 2003 between Peerless (1), the Alliance Optionholders (2) and Alliance (3) relating to the Acquisition, details of which are set out in paragraph 14.1.4 of Part VIII

"Ordinary Shares"	the ordinary shares of 1p each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Part"	a part of this document
"participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Placings"	the conditional placings by Numis Securities of the New Issue Shares, the Vendor Placing Shares and the Convertible Loan Stock subject to the terms of the Placing and Open Offer Agreement
"Placing and Open Offer Agreement"	the conditional agreement dated 28 November 2003 between (1) the Company, (2) Numis Securities, (3) the Directors and (4) the Proposed Directors relating to the Placings and the Open Offer, details of which are set out in paragraph 14.1.2 of Part VIII
"POS Regulations"	the Public Offers of Securities Regulations 1995 (S.I. 1995/1537), as amended
"Principal Agreement"	the conditional agreement dated 28 November 2003 between Peerless (1), the Principal Vendors (2), BoS (3), Jeremy Mark Fenn and Richard Mark James (4) relating to the Acquisition, details of which are set out in paragraph 14.1.3 of Part VIII
"Principal Vendors"	John Dawson, Stella Anne Dawson (a.k.a. Sam Madden) and Anthony Richard Booley
"Proposals"	the Acquisition, the Placings, the Open Offer, the proposed change of name of the Company, the proposed amendment to the Articles, the Waiver and Admission pursuant, *inter alia*, to the Share Purchase Agreements, the Placing and Open Offer Agreement and this document
"Proposed Directors"	John Dawson, Anthony Richard Booley, Stella Anne Dawson (a.k.a. Sam Madden), Madeleine Elizabeth Scott and Paul Ranson, details of whom are set out in paragraph 6.2 of Part VIII of this document
"Qualifying Shareholders"	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date and others with *bona fide* market claims, other than certain overseas Shareholders as described in paragraph 6 of the letter from Numis Securities in Part III
"Record Date"	the close of business on 24 November 2003
"Resolutions"	the resolutions to be proposed at the EGM, as set out in the Notice of EGM
"Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Shareholders"	holders of Existing Ordinary Shares
"Share Option Plan"	the Share Option Plan of Peerless which the Company proposes to adopt at the EGM, details of which are set out in paragraph 8.2 of Part VIII

"Share Purchase Agreements"	the Principal Agreement and the Optionholders Share Purchase Agreement
"SSAP"	Statement of Standard Accounting Practice
"Stockholders"	holders of the Stock
"subsidiary" or **"subsidiary undertaking"**	have the meanings given to them by the Act
"Tax Deed"	the taxation deed dated 28 November 2003 between the Principal Vendors (1) and the Company (2)
"Trustee"	The Law Debenture Trust Corporation p.l.c. whose registered and head office is at Fifth Floor, 100 Wood Street, London, EC2V 7EX
"Trust Deed"	the trust deed to constitute the Convertible Loan Stock to be entered into between the Company and the Trustee, particulars of which are set out in Part VII
"uncertificated" or **"in uncertificated form"**	recorded on the relevant register of the uncertificated share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"UK GAAP"	generally accepted accounting principles in the UK
"UK Listing Authority"	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA
"United States" or **"US"**	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction
"Unit"	a unit of 100p nominal of the Convertible Loan Stock
"US person"	a citizen or permanent resident of the United States, as defined in Regulation S promulgated under the Securities Act
"Vendor Placing"	the placing by Numis Securities on behalf of certain of the Alliance Shareholders and the Excluded Shareholders of the Vendor Placing Shares pursuant to the Consideration Share Agreements
"Vendor Placing Shares"	the 2,085,264 Consideration Shares, being a proportion of the Consideration Shares to be received by certain of the Alliance Shareholders and the Excluded Shareholders, which are the subject of the Vendor Placing
"Waiver"	the conditional waiver by the Panel of the obligation of the Concert Party that may otherwise arise under Rule 9 of the City Code to make a mandatory cash offer for the issued Ordinary Shares not already owned by the Concert Party on Completion as set out in paragraph 9 of Part I

PART I

Peerless Technology Group Plc

LETTER FROM THE CHAIRMAN OF PEERLESS TECHNOLOGY GROUP PLC

(Incorporated and registered with the Registrar of Companies in England and Wales under number 4241478)

Directors:

Ajaz Ahmed (*Non-executive Chairman*)
Jeremy Mark Fenn (*Managing and Finance Director*)
Richard Mark James (*Executive Director*)
Steven Charles Andrew Harris (*Non-executive Director*)

Registered Office:

Nidderdale House,
Beckwith Knowle,
Otley Road,
Harrogate,
HG3 1SA
UK

28 November 2003

To holders of Existing Ordinary Shares and, for information only, to holders of options over Existing Ordinary Shares

Dear Shareholder,

PROPOSED ACQUISITION OF ALLIANCE PHARMACEUTICALS LIMITED AND CONNECTED MATTERS

1 INTRODUCTION

1.1 The Board announced today that the Company has conditionally agreed to acquire the entire issued and to be issued share capital of Alliance Pharmaceuticals Limited in consideration of the issue of 72,916,667 new Ordinary Shares in the Company. The Company has also agreed to acquire from BoS the BoS Warrant for a cash payment of £1,333,333, to be funded out of its existing resources. The principal activity of Alliance is the development, marketing and distribution of pharmaceutical products. The Acquisition follows the approval by Peerless shareholders at an Extraordinary General Meeting on 20 June 2003 to extend, without limit, the sectors in which the Company may invest. As at 27 November 2003 (the latest practicable date prior to the publication of this document) the closing mid-market price for an Ordinary Share in the Company was 20p, valuing Alliance at £16.67 million (including the cash payment of £1,333,333 in relation to the BoS Warrant).

1.2 In order to fund future development and to provide working capital going forwards, the Company proposes to raise approximately £11.17 million gross (£9.49 million net of expenses) by way of the Placings (excluding the Vendor Placing) and the Open Offer. Under the Placings (excluding the Vendor Placing) and the Open Offer, 22,914,736 New Issue Shares have been conditionally placed at 16p per share and all of the £7.50 million nominal of Convertible Loan Stock has been conditionally placed at par. In addition, under the Vendor Placing, 2,085,264 Consideration Shares (being all the Vendor Placing Shares) have been conditionally placed at the Issue Price for cash on behalf of certain of the Alliance Shareholders and the Excluded Shareholders in order to fund their proportion of the costs associated with the Proposals and associated events for a total of approximately £0.33 million.

1.3 All of the Vendor Placing Shares and the Convertible Loan Stock have been conditionally placed firm. Of the New Issue Shares, 15,433,486 have been conditionally placed firm. The remaining 7,481,250 New Issue Shares have been conditionally placed subject to clawback to satisfy valid applications under the Open Offer. The Placings and the Open Offer have been arranged and underwritten by Numis Securities. Further details of the Open Offer are contained in Part III.

1.4 The New Ordinary Shares (comprising the Consideration Shares and the New Issue Shares), when issued, will represent approximately 86.50 per cent. of the Enlarged Share Capital. The maximum number of Ordinary Shares which would arise on full conversion of the Convertible Loan Stock is 35,714,285, which would represent 24.38 per cent. of the Enlarged Share Capital, as diluted on conversion.

1.5 Following Completion, the Alliance Shareholders will together hold Ordinary Shares representing approximately 63.70 per cent. of the Enlarged Share Capital and the Excluded Shareholders will together hold approximately 0.23 per cent. Because the Concert Party, comprising the Alliance Shareholders, will own more than 30 per cent. of the Enlarged Share Capital the Company is seeking a waiver of Rule 9 of the City Code, which would otherwise require the Concert Party to offer to acquire those Ordinary Shares it does not own.

1.6 In view of the size of Alliance relative to the Company, the Acquisition will constitute a reverse takeover of Peerless under the AIM Rules and therefore requires the prior approval of Shareholders at an Extraordinary General Meeting.

1.7 It is proposed that the name of the Company be changed to Alliance Pharma PLC and the accounting reference date be changed from 31 December to 28 February.

1.8 The purpose of this document is to set out the background to and reasons for the Proposals and other matters relating thereto and, to the extent required, to seek your approval for them at the EGM. Your Board considers the Proposals to be in the best interests of the Company and Shareholders as a whole and recommends that you vote in favour of the Resolutions at the EGM, as the Directors intend to do in respect of their own legal and beneficial shareholdings, which is being convened for 22 December 2003. The Notice of EGM is set out at the end of this document.

2 BACKGROUND TO AND REASONS FOR THE PROPOSALS

2.1 Peerless was formed on 26 June 2001 and in November that year raised approximately £2.29 million after expenses by means of a placing of Ordinary Shares, which were admitted to trading on AIM on 20 November 2001.

2.2 In the Peerless admission document dated 8 November 2001, the Company's strategy was described as being to seek to identify and acquire businesses that are able to exploit the opportunities presented by the overlap between the technology and media sectors. On 23 May 2003, I wrote to Peerless shareholders explaining that, despite a number of negotiations, the Company had not identified any businesses thought suitable for acquisition or investment on appropriate terms within the original intended sectors. At an extraordinary general meeting of Peerless shareholders on 20 June 2003 the Peerless shareholders resolved that the Directors should have the authority to extend without limit the range of companies, businesses and sectors within which the Company would be at liberty to invest or make acquisitions.

2.3 The Board believes that Alliance represents a suitable acquisition target for fulfilment of the Company's current strategy and satisfies the Company's current investment criteria. This document describes, *inter alia*, Alliance and the terms of the Acquisition.

2.4 Consequent upon and effective from completion of the Acquisition, it is intended that the nature, strategy and investment criteria of the Company will be altered such that the Company will be classified for the purposes of the AIM Rules as a holding company and not an investing company. Following completion of the Acquisition, it is intended that the Company pursues the strategy outlined in paragraph 3.8 of this Part I.

3 ALLIANCE PHARMACEUTICALS LIMITED

3.1 Alliance was founded in 1996 by its current managing director, John Dawson, and commenced trading in 1998. The business plan of Alliance envisaged the acquisition of the manufacturing, sales and distribution rights to pharmaceutical products that offered strong niche market opportunities but lacked the ultimate potential sales volume to attract or maintain the interest of the major pharmaceutical companies. The plan called for the establishment of a low-cost operation, staffed by individuals with large pharmaceutical company experience, which would out-source the more capital-intensive aspects of the pharmaceutical supply process.

3.2 It was John Dawson's intention to establish as a first stage a profitable, cash generative base for Alliance by the acquisition of the rights to mature established brands before entering the planned second stage of the

evolution of the business. The second stage envisaged, as well as a continuing expansion of the portfolio of mature products, the addition of pharmaceutical products that were new to the UK market, either by acquisition or by entering into partnership with those who had developed them. These new products could either be completely new products that were likely to have been developed by smaller research and development companies and that had recently gained regulatory approval or products that were already marketed in other territories or for other indications and which required only the final stages of development and regulatory approval (for which Alliance would apply) to be marketed in the UK and, where appropriate, the rest of the European Union. By this method he intended to follow a low risk strategy, within which Alliance would benefit from the established regular cash flow of mature products and once that had been established, from the prospect of the greatly enhanced turnover and margins that he considered were available from new products.

3.3 The cash generative nature of the established brands to be acquired by Alliance facilitated the negotiation of debt finance from BoS, which has provided all acquisition funding from August 2001 to date. Alliance made several acquisitions in 1999, which were funded from management equity, on-going cash-flow and an invoice discounting scheme through Lloyds TSB which was later subsumed into the BoS financing arrangements.

3.3 Financial information on Alliance

3.3.1 In the five years since Alliance commenced trading it has grown to a position where it either owns the rights to or has the right to market twenty three branded pharmaceutical products and had a turnover of £8.33 million and an audited profit after interest, but before tax and all intangible amortisation, of £0.67 million in the year to 28 February 2003.

3.3.2 This profit has been reduced by the £339,000 profit and loss effect of the re-statement of a Euro denominated loan at the prevailing exchange rate on 28 February 2003 as required by SSAP 20, and by the £150,000 write-off of Lysovir stock, an anti-viral influenza treatment which has suffered from low sales as a result of the absence of an influenza epidemic over the last three years and in respect of which the 'shelf-life' expires in May 2004.

3.3.3 The profit has been achieved with a staff of twelve and an out-sourcing system from various sources that provides production, distribution, formulation development, a field sales force and clinical trial facilities.

3.3.4 A number of the products have entered the Alliance marketing portfolio in the recent past as outlined in paragraph 3.5 of this Part I below and their annual sales level is not fully reflected in the turnover figure for the year ended 28 February 2003. Based upon unaudited management figures for the eight months to 31 October 2003, Alliance's turnover for the year to 28 February 2004 is expected to be approximately £10.3 million. Future sales are expected to develop from the existing reported level by organic growth, by the acquisition of further established brands and by the acquisition or development and launch of carefully selected new unmarketed products.

3.3.5 The results of Alliance for the three financial years ended 28 February 2003 are set out in the Accountants' Report on Alliance Pharmaceuticals Limited in Part IV. A summary of the key profit and loss figures is set out below:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Turnover	6,117	6,342	8,327
Profit before tax, item (1) below and amortisation	**335**	**589**	**1,158**
(1) € denominated loan restatement and stock write-off (see paragraph 3.3.2)	–	–	(489)
Amortisation	(209)	(415)	(1,400)
Profit/(loss) pre-tax	126	174	(731)

3.4 The Alliance Business Case

3.4.1 John Dawson gained more than twenty-five years of experience in the pharmaceuticals industry, including appointments with Ciba-Geigy and Sandoz, before founding Alliance. During that time, he formed the view that a substantial opportunity existed to form a pharmaceuticals company that both specialised in the manufacture and supply of smaller volume niche products and could become a licensing partner of choice for overseas research and development companies seeking a UK/European marketing distributor. His belief was that a low-cost, low-risk business could be established by the formation of a small team of well qualified people experienced in working for large companies in the pharmaceutical sector, who could satisfy the core skills of management and control, whilst outsourcing the more standardised functions to established service providers. By this method he hoped to create a company that was both flexible and less capital intensive than a conventional structure.

3.4.2 Many of the products of the type envisaged by John Dawson to be suitable candidates for acquisition had established market positions and largely predictable cash generative qualities. Despite these attributes, it was believed that the larger company owners of some of the products would be prepared to sell or license the rights to those products for a consideration that enabled a lower overhead business to make significant profit from their manufacture and distribution.

3.4.3 On 16 September 1996, John Dawson founded Alliance to put into action his business theory. From the inception of the business, Alliance has invested heavily in market research and industry statistical information from which it can assess the business case for potential product acquisitions and the modelling of the likely effect of debt-financed acquisitions on the Company.

3.5 Acquisition and Product History

In April 1998, as its first transaction, Alliance entered into a 'fostering' arrangement with Novartis (a company formed in 1997 by the merger of the Swiss companies Ciba-Geigy and Sandoz) in respect of sixteen brands. Under a typical 'fostering' arrangement, the licensor retains the intellectual property rights to the products and the licensee takes over the marketing and distribution, with the improved performance being allocated between the parties. Of the sixteen brands originally fostered, eleven remain so, three brands were divested to third parties by Novartis after Alliance declined their outright acquisition and two brands were acquired outright by Alliance in October 2001. In January 1999, Alliance entered into its first conventional acquisition transaction, being the acquisition of the right to four brands for the treatment variously of nasal infections, psoriasis and Parkinson's disease, from Bioglan Labs Ltd. In August 2001, Alliance acquired the rights to Distamine, a specialist product for use in rheumatoid arthritis and Wilson's Disease, from Eli Lilly and Company. In October 2001, the acquisitions of Symmetrel, used in the treatment of Parkinson's disease, and Slow-K, used for potassium deficiencies, were made from Novartis. In April 2002, Alliance acquired two cream products used in the treatment of dry skin and eczema from Procter & Gamble. In September 2002, Alliance undertook its most substantial transaction to date when it acquired the rights to Nu-Seals aspirin, used in differing dose levels for the treatment of pain and more importantly for the prevention of heart disease, from Eli Lilly and Company. The total consideration for these five acquisition transactions was £17.7 million.

3.6 Funding

3.6.1 Alliance has only entered into transactions and the associated borrowings when the predictable cash flow would cover the financing cost with a comfortable margin for profit. Except for the case of the Bioglan acquisition, all acquisitions have been made for cash and funding in each case, as outlined in paragraph 3.2 above, has been provided by debt under a structure of term loans, mezzanine debt and subordinated loan stock negotiated with BoS. Three term loans (the "**BoS Term Loans**") totalling £10.865 million were entered into over the period from October 2001 to September 2002, of which £9.20 million was outstanding at 31 October 2003. In addition, in September 2002, BoS provided £2.50 million of mezzanine debt (the "**BoS Mezzanine Debt**") by way of a facility which, as subsequently amended, is to be repaid in 2009 and 2010. BoS has also agreed, conditionally upon the Acquisition taking place, to provide a further £1.61 million term loan facility to Alliance for general corporate purposes which is repayable in 2008 and 2009. This facility includes £0.21 million to finance the payment of the signature fee in connection with the Zimycan transaction referred to in paragraph 3.8.1(d) below.

3.6.2 In September 2002, Alliance issued subordinated loan stock to BoS in the amount of £4.5 million (the "**BoS Loan Stock**") under the terms of which BoS was granted the BoS Warrant pursuant to which BoS became entitled to between 12.5 per cent. and 20 per cent. of the equity in Alliance in the event that Alliance's shares are sold or are admitted to trading on a public exchange. The acquisition of Alliance by Peerless in return for shares in Peerless will be deemed to fulfil this condition. As a result, under the terms of the BoS Warrant prior to Completion, BoS would have become entitled to subscribe for Alliance Shares comprising 12.5 per cent. of the equity in Alliance. In the event that the Company had offered to acquire such Alliance Shares on the same terms as it is offering to the Alliance Shareholders, it would have offered to BoS New Ordinary Shares of an aggregate value (computed on the basis of the Issue Price) of £1.67 million. However, BoS has agreed to dispose of, and the Company has agreed to acquire as part of the Acquisition, its entitlement to subscribe for shares of Alliance pursuant to the BoS Warrant for a discounted consideration of £1,333,333, payable in cash.

3.6.3 Contemporaneously with Completion, it is intended that the BoS Loan Stock will be repaid in full, leaving the BoS Term Loans and the BoS Mezzanine Debt outstanding to BoS as referred to in paragraph 3.6.1 above. In addition, it is intended that at Completion Alliance will pay in advance the premium payable on redemption of the BoS Mezzanine Debt. As at 31 October 2003, the BoS Term Loans and the BoS Mezzanine Debt totalled £11.70 million.

3.6.4 From Completion the interest rate margin payable over LIBOR or EURIBOR as appropriate for £1.65 million of the BoS Term Loans will reduce from 3.5 per cent. to 2.5 per cent. and the interest rate margin payable over LIBOR for the BoS Mezzanine Debt will reduce from 6 per cent. to 5 per cent.

3.6.5 The Company has entered into hedging arrangements with BoS in respect of the BoS Term Loans which have the effect of fixing the interest base rate on £5.7 million of these loans to a weighted average rate of 4.09 per cent. per annum until November 2005 and on £4.2 million of these loans to a rate of 5 per cent. per annum until October 2007.

3.6.6 The terms of all the BoS loan agreements referred to in this paragraph 3.6 are described in paragraphs 14.2.12 and 14.2.14 of Part VIII.

3.7 The current Alliance portfolio and current trading

3.7.1 Alliance's sales are mainly prescription driven. Alliance distributes to hospitals directly and to pharmaceutical wholesalers who service both retail and hospital pharmacies with their prescription requirements.

3.7.2 The current Alliance portfolio and the relative turnover contributions of the major brands are set out below:

Brand and Application	*First Launched in UK*	*Gross Sales in Year to 28 February 2003 (in £ millions)*	*Percentage of Gross Sales in Year to 28 February 2003*	*Current Annualised Sales*[iv] *(in £ millions)*	*Percentage of Current Annualised Gross Sales*
Nu-Seals *For prevention of heart disease*	1994[i]	1.4	17.3%	3.1	30.1%
Syntocinon & Syntometrine *For use in childbirth*	1956	2.2	27.2%	2.7	26.2%
Symmetrel *For use in Parkinson's Disease*	1970	1.0	12.3%	1.1	10.7%
Naseptin *For use in nasal infections*	1959	0.7	8.6%	0.8	7.8%
Slow-K *For use in potassium deficiencies*	1965	0.6	7.4%	0.6	5.8%
Aquadrate & Alphaderm *For use in eczema & dry skin conditions*	1974	0.5	6.2%	0.6	5.8%
Remaining 15 Brands[ii]		1.7	21.0%	1.4	13.6%
Totals		8.1[iii]	100.0%	10.3[iv]	100.0%

(i) Low dose for cardiovascular disease.

(ii) These include standard specialist hospital products such as Deseril (methysergide for resistant migraine), Metopirone (metyrapone for Cushing's Syndrome), Rogitine (phentolamine to detect phaeochromocytoma) and Synacthen (tetracosactrin – a standard test for adrenocortical insufficiency).

(iii) In the year ended 28 February 2003 Alliance had other income from non-core activities totalling £0.2 million giving a total turnover for the year ended 28 February 2003 of £8.3 million.

(iv) Based upon unaudited management figures for the eight months ended 31 October 2003.

3.7.3 Products which are fully acquired, as opposed to fostered, deliver a much higher margin and, following the acquisitions of Distamine, Symmetrel and Slow-K in 2001, Alliance's margins earned from acquired products exceeded those from fostered products. Now, just over 85 per cent. of Alliance's gross margin comes from products for which it has acquired the intellectual property rights. In the period from the first 'fostering' arrangement to date, Alliance's gross margin has more than doubled from some 24 per cent. to in excess of 50 per cent.

3.7.4 The products marketed by Alliance continue to achieve sales in line with budget and the expectations of the Alliance Directors. Over the eight months to 31 October 2003, sales of Nu-Seals in Ireland, the largest selling product in the Alliance range, increased by 29 per cent. on a like-for-like basis compared with the equivalent period in the previous year, when the brand was not owned by Alliance. Over the same eight month period, sales of Symmetrel and Syntocinon/Syntometrine have increased by 15 per cent. and 10 per cent. respectively on a like-for-like basis when compared to the equivalent period in 2002.

3.8 Future plans and Alliance's intentions regarding the Company

3.8.1 The Alliance Directors consider that the first stage of the original Alliance business plan has succeeded to the extent necessary to implement the second stage, whilst continuing to explore opportunities to acquire further mature brands. Alliance is currently exploring several opportunities to expand the product range and thus turnover.

(a) The Alliance Directors believe that a number of clear and attractive opportunities exist and are available to them to increase sales by the acquisition of further established brands. Such opportunities do not yet represent any concrete proposals and related enquiries have not progressed beyond a preliminary stage.

(b) Beyond the normal distribution process, in which established brands that have been acquired have been supplied in the most efficient manner available to Alliance, Alliance has undertaken only limited marketing activity. The Alliance Directors believe that Alliance has now reached the size and stage of development where resources could and should be deployed in this area and that the resultant expenditure would increase sales and profitability in the longer term.

(c) The Alliance Directors also consider that attractive margins could be achieved by entering selected niche areas of the hospital generics supply market.

(d) All of the products currently supplied by Alliance, except for Lysovir, have been acquired from their previous owners as mature products with market history in the UK. The Alliance Directors have identified a number of other opportunities that are in a late stage of development, albeit close to market, and which the Alliance Directors believe are likely to achieve regulatory approval over the next 2-3 years. The Alliance Directors believe that several of these new products have the potential to provide substantial profit margins. Amongst others, Alliance is currently evaluating opportunities in the areas of dermatology, women's health and sleep abnormalities. In respect of one such opportunity in the area of dermatology, Alliance recently entered into an agreement to market a new product, Zimycan, on behalf of its developers and owners. Further details of this agreement are set out in paragraph 14.2.16 of Part VIII.

The most substantial of the late stage development opportunities, both in terms of potential sales and probable expenditure on development and marketing, is in the area of sleep abnormality. The Alliance Directors believe that following Completion, Alliance will have sufficient funding, from capital and internally generated cash flow, to develop this project to the point of marketing when a decision would be taken as to the method of funding the marketing process. At that stage, the alternatives available to Alliance are likely to include out-licensing marketing and field force expenditure in return for a royalty on sales or raising funds from the capital markets to cover marketing expenditure.

3.8.2 The Alliance Directors believe that, whilst Alliance's current level of operating profit is attractive and the pursuit of the opportunities described in paragraph 3.8.1(a) above can be achieved with minimal increase in overheads and is likely to increase turnover, the potential of the opportunities described in paragraphs 3.8.1(b), (c) and (d) of this Part I is substantially greater.

3.8.3 **Shareholders should be aware that following Completion, as well as continuing with the acquisition of mature pharmaceutical brands (subject to the availability of appropriate financing), the Proposed Directors intend to increase Alliance's marketing activities and to pursue some or all of the opportunities described in paragraphs 3.8.1(c) and 3.8.1(d) of this Part I. The Proposed Directors believe that the profitability of the business of Alliance and the Company will be impacted in the short term by the increase in overheads attributable to its planned marketing expenditure and that these could rise by £0.9 million during the year ending 28 February 2004 and by a further £1.8 million in the year ending 28 February 2005. This increase in overheads would be likely to pre-date any associated rise in turnover by two years; the Proposed Directors also believe that, by the financial year ending 28 February 2007, the contribution to turnover emanating from the opportunities described in paragraphs 3.8.1(b) to 3.8.1(d) of this Part I could approach 50 per cent. of the total turnover of Alliance in that financial year.**

3.8.4 The Proposed Directors also intend that other mature pharmaceutical brands acquired in the future be funded by debt subject to the Group's borrowing limits and availability of finance.

3.8.5 Following Completion, subject to, and as described in, this paragraph 3 of Part I, Alliance will continue to carry on the business as described in this document.

4 PRINCIPAL TERMS OF THE ACQUISITION

4.1 Pursuant to the Share Purchase Agreements, Peerless has conditionally agreed to acquire all the issued and to be issued share capital of Alliance (being 30,899,318 B ordinary shares of 1p each), for a consideration to be satisfied by the allotment and issue by Peerless to the Alliance Shareholders and the Excluded Shareholders of the Consideration Shares. The Consideration Shares include the Vendor Placing Shares. Peerless has also conditionally agreed to acquire the BoS Warrant from BoS in consideration of a cash payment of £1,333,333 to BoS, such payment to be funded out of the Company's own resources.

4.2 The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and shall have the same rights as the Existing Ordinary Shares regarding voting, dividends, return of capital on winding up and redemption (and variation of such rights) which are summarised in paragraph 4 of Part VIII.

4.3 The Acquisition is conditional, *inter alia*, on:

(a) the passing of the Resolutions to be proposed at the EGM, which are set out in the Notice of the EGM at the end of this document;

(b) the Placings and Open Offer Agreement becoming unconditional in all respects other than as to any condition therein as to completion of the Share Purchase Agreements; and

(c) Admission.

4.4 Failure to satisfy any of the conditions referred to in paragraph 4.3 of this Part I will result in both the Share Purchase Agreements not becoming unconditional in which case Admission will not occur and the Proposals will not be implemented.

4.5 Under the Principal Agreement and Tax Deed, certain of the Alliance Shareholders have given the Company representations, warranties and indemnities (subject to certain limitations) relating, *inter alia*, to the business of Alliance. Under the Principal Agreement, BoS has given limited warranties as to title and related matters. Under the Optionholders Share Purchase Agreement, the Alliance Optionholders have each given limited warranties as to title and related matters.

4.6 A summary of the principal terms of the Share Purchase Agreements are set out in paragraphs 14.1.3 and 14.1.4 of Part VIII.

5 USE OF PEERLESS CAPITAL AND THE PROCEEDS OF AND PURPOSE FOR THE PLACINGS AND THE OPEN OFFER

It is proposed that the net proceeds of the New Issue Shares and the Company's existing cash assets (following the payment by the Company to BoS of £1,333,333 in consideration for the acquisition by the Company of the BoS Warrant) will be deployed in pursuit of Alliance's business plans. As at 30 June 2003, the Company had a cash balance of £2.2 million and unaudited net assets of £2.2 million.

6 ALLIANCE PERSONNEL

Set out below are details of the Directors and key personnel of Alliance.

6.1 **John Dawson – Managing Director** – Pharmacist, MSc Finance.

John (aged 54) has 32 years' experience in the pharmaceutical industry including posts at Swiss multi-national companies Ciba-Geigy and Sandoz. He worked at Ciba-Geigy from 1970 to 1984 fulfilling roles as a formulation and production pharmacist, in the stores and despatch division, as a medical representative, in various headquarters marketing assignments and as manager of the cardiovascular

therapeutic division. John joined Sandoz Pharmaceuticals in 1984 and was a planning and administration manager before becoming director of finance and administration in 1991 and Deputy Managing Director in 1995. In 1997, he left to concentrate fully on Alliance.

6.2 **Anthony Richard Booley – Sales and Marketing Director** – BSc Physiology, MBA, Chartered Marketer.

Tony (aged 46) has 23 years' experience in the pharmaceutical and healthcare industry including posts at multinationals Leo Pharma, GlaxoWellcome and Getinge Industrier AB. Tony joined the industry in 1980 as a medical representative for LeoPharma. In 1982 he joined Wellcome becoming marketing executive in 1983. By 1987 he was product group manager responsible for the company's Zovirax brand and became business information manager in 1990. Between 1991 and 1995 Tony worked internationally as marketing manager based in Bombay, India and then assumed responsibility for all marketing and business development activities in the Middle East and Africa. During 1995, Tony left GlaxoWellcome to join Pegasus Airwave as corporate head of marketing and commercial development. In 1998, this business was successfully sold to the Getinge Industrier AB group. During 1998, he joined Alliance.

6.3 **Stella Anne Dawson (a.k.a. Sam Madden) – Technical and Regulatory Director** – BSc Biochem/Toxicol, MSc Biopharmacy.

Sam (aged 48) was initially recruited by Sandoz Pharmaceuticals in 1979 to work on the review of medicines and also handled new chemical entities. She was promoted to Registration Manager in 1984. In 1988, Sam joined Abbott Laboratories Ltd as the Regulatory Affairs Manager. She was responsible for all regulatory issues on devices, pharmaceuticals and nutritional products in the UK, Eire and Export markets. In 1989, she started Madden Associates as a freelance consultant in regulatory affairs. Clients have included Clinical Research Organisations who do not have regulatory personnel, national companies from France, the UK, America, Switzerland, Japan and Germany and multi-nationals. Sam served on the Board of the British Institute of Regulatory Affairs (BIRA) from 1986, until September 1999 including six years as Treasurer, and is a member of the Association of Consultants to the Biosciences Industry (ACBI). Sam has worked with Alliance since its inception to ensure that all UK product licences and Irish product authorisations are maintained to the standard required by Alliance and the regulatory authorities. Sam is married to John Dawson.

Sam is employed directly by Alliance for her director's duties and provides regulatory, technical and development consultancy via Madden Associates Limited. In total she spends around 50 per cent. of her time on those matters.

6.4 **Madeleine 'Maddy' Elizabeth Scott – Finance Director** – ACCA, ACIS

Maddy (aged 38) has 16 years' experience across manufacturing and service industries as a Management Accountant, Financial Controller and Administration Manager. She has held positions at King Edward VII Hospital in London, McCann Erickson, HH&S Limited, Nokia Consumer Electronics, Bluemay Limited, Leibert Europe and Serco Aviation. She joined Alliance in May 1999 as finance and administration manager. Maddy is also the company secretary of Alliance.

6.5 **Andrew Dean – Business Development Director** – BSc Chemistry and Business.

Andrew (aged 33) joined Schering Plough as a medical sales representative in 1993. He became an Associate Product Manager in the surgical division in 1996 and a Product Manager in the dermatological division in 1997. In 1998, he was promoted to Senior Product Manager in urology and the following year became a Regional Business Manager. In January 2001, Andrew became Marketing Development Manager and led the launch of NeoClarityn, Schering Plough's 'flagship' product. In August 2002, Andrew left to become Business Development Director at Alliance.

6.6 **John Barber – Director of Scientific Affairs** – BSc Pharmacology, MSc Information Science.

John (aged 40) worked from 1985 to 1988 as an information scientist for the UK Atomic Energy Authority providing information services in all areas of nuclear engineering, including chemical engineering and environmental science. From 1988 to 1992, he worked at ICI Pharmaceuticals (now AstraZeneca) providing services for bioscience Research and Development ("R&D") and developing a

business information service for commercial departments, including market research and corporate strategy. In 1992, he moved to Roche Products (a division of F Hoffman-La Roche), again as an information scientist for antiviral and anti-inflammatory R&D, including research, formulation research, clinical research, health economics and regulatory affairs. In 1996, he joined Glaxo Wellcome R&D as an information analyst, providing an information and analysis service for anti-infective, anti-inflammatory and dermatology R&D, including research, clinical research, health economics, medical affairs and business analysis. In 1997, he joined PharmaVentures, a pharmaceutical business development and business information consultancy, as information manager for the content and development of a series of pharmaceutical business information services including a leading database of pharmaceutical deals and alliances worldwide; developing strategic alliances with leading information vendors and providing pharmaceutical business consultancy for clients. Projects for clients included finding partners for in- and out-licensing of products. John joined Alliance in June 2000. He is a member of the Association of Information Officers of the Pharmaceutical Industry (AIOPI), for which he is currently Secretary.

6.7 **Peerless Board composition**

6.7.1 Upon Completion, all of the Directors, with the exception of Steven Harris, will resign without compensation for loss of office except that Richard James, Jeremy Fenn and Ajaz Ahmed will be entitled, in accordance with their contractual rights set out in their service contracts (or letter of appointment in the case of Ajaz Ahmed) as further described in paragraph 6.1 of Part VIII to this document, to payment for their 12 months' notice periods. Upon Completion, the Board will comprise the following:

John Dawson	Chairman and Chief Executive Officer (see above)
Madeleine Elizabeth Scott	Finance Director (see above)
Anthony Richard Booley	Executive Director (see above)
Stella Anne Dawson (a.k.a. Sam Madden)	Executive Director (see above)
Steven Harris	Non-executive Director (see paragraph 6.7.2 of this Part I)
Paul Ranson	Non-executive Director (see paragraph 6.7.3 of this Part I)

6.7.2 **Steven Harris – Non-executive Director**

Steven Harris (aged 37) will continue as a non-executive Director. He is a Chartered Accountant. From 1997 to 2003 he was the finance director of PowderJect Pharmaceuticals plc until that company was taken over earlier this year. As a member of the PowderJect board he played a key role in the company's flotation and subsequent rounds of financing to fund vaccine development and acquisitions. Prior to joining PowderJect, he was Group Financial Controller of Desoutter, a UK division of the Swedish multinational, Atlas Copco. He has extensive knowledge of the pharmaceutical sector. He is also a director of Micap plc, which was floated on AIM earlier in 2003.

6.7.3 **Paul Ranson – Non-executive Director**

Paul Ranson (aged 50) was called to the Bar in 1977, practising at 13 Kings Bench Walk before acting as legal adviser and subsequently manager of legal affairs at Smith Kline & French for five years. In 1985, he became legal director of Merck, Sharp & Dohme. During this time he requalified as a solicitor going on to become, first, a partner in Brain & Brain, a firm of solicitors based in Reading, between 1990 and 1997 and then head of healthcare law at Simmons & Simmons until 2001. In 2002, Paul founded PharmaLaw. Paul has expertise in the commercial, regulatory and liability aspects of the pharmaceutical and related health care sectors, including, in particular, European and strategic alliances and outsourcing and EC and legislative compliance. He is the author of numerous articles in the pharmaceuticals sector and co-edits the Journal of Biotechnology. He has been an independent ethics committee member for 5 years, is a member of the ABHI Legal Issues Committee and since 1990 has been the co-ordinator of the Ethical Medicines Industry Group, a group of senior executives of thirty-five UK subsidiaries of European, US and Japanese multinational healthcare product companies. Paul comes 'Highly Recommended' in the 2002/2003 edition of the European Counsel assessment of life sciences lawyers and is referred to in the Legal 500 as an expert in the area.

6.7.4 **Non-executive chairman**

It is the Board's intention to appoint a non-executive chairman in the near future.

6.8 The business address of each of the Proposed Directors is Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB, UK.

7 DIRECTORS' AND PROPOSED DIRECTORS' SERVICE CONTRACTS AND APPOINTMENTS

Particulars of all existing and proposed service contracts and appointments between the Company and any of the Directors and the Proposed Directors are set out in paragraph 6 of Part VIII. Following Admission, it is proposed that new service contracts will be entered into between each Proposed Director and the Company on substantially the same terms as their existing service contracts with Alliance. Paul Ranson will enter into a letter of appointment with the Company on the terms set out in paragraph 6.2 of Part VIII.

8 CHANGE OF NAME AND ACCOUNTING REFERENCE DATE

8.1 The Directors and Proposed Directors consider it appropriate to change the name of the Company to reflect the Enlarged Group's new business. A special resolution to change the name of the Company to "Alliance Pharma PLC" is therefore set out in the Notice of EGM.

8.2 Following Admission, in order to reflect the change of business activity following the Acquisition, the Proposed Directors intend to change the accounting reference date of the Company from 31 December to 28 February in each year so that for financial reporting purposes the Company will have the same accounting reference date as Alliance. Accordingly, following Completion, the Company proposes to publish accounts for the 14 months ending 28 February 2004, reflecting the Acquisition.

9 WAIVER OF RULE 9 OF THE CITY CODE

9.1 Under the City Code persons co-operating pursuant to an agreement or understanding (be it formal or informal) for the purposes of acquiring control, that is obtaining an aggregate holding of shares carrying 30 per cent. or more of the voting control of a company, are considered to be acting as one.

9.2 The persons comprising the Concert Party are the Alliance Shareholders. In addition, in the event that there are any persons associated with the Alliance Shareholders, being those persons who can control or potentially control the Alliance shares held by the Alliance Shareholders, such persons are also deemed to be within the Concert Party by the Panel for the purposes of this document.

9.3 Upon Completion, the Concert Party will own an aggregate of 70,578,737 New Ordinary Shares representing 63.70 per cent. of the Enlarged Share Capital. Upon Completion, John Dawson and his wife Stella Anne Dawson (a.k.a. Sam Madden) (who will together own 56.20 per cent. legally and beneficially of the Enlarged Share Capital) will be the sole holder of Ordinary Shares owning more than 30 per cent. of the Enlarged Share Capital.

9.4 Rule 9 of the City Code normally requires that any person who (together with persons acting in concert with him) acquires 30 per cent. or more of the voting rights of a company which is subject to the City Code, or any person who (together with persons acting in concert with him) holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company and who acquires additional shares, is obliged to make a general offer in cash to all shareholders for the shares not owned by him at the highest price paid by him, or any person acting in concert with him, within the preceding 12 months.

9.5 In addition, where persons act in concert in relation to an acquisition of shares, each individual member of the relevant concert party will normally incur an obligation to make a general offer under Rule 9 of the City Code if that individual member (together with his associates) acquires ordinary shares which has the effect of increasing the respective shareholding to 30 per cent. or more of the issued share capital of the relevant company.

9.6 Once shareholder approval has been obtained, the controlling shareholder of the Concert Party, John Dawson (who together with his wife Stella Anne Dawson (a.k.a. Sam Madden) will own more than 50 per cent. of the Enlarged Share Capital) will be free to acquire further shares, subject to Rules 5 and 9 of the City Code.

9.7 The Panel has been consulted and has agreed, subject to Resolution 3 (as set out in the Notice of EGM) being passed on a poll by the Independent Shareholders, to waive any obligation on the Concert Party, both individually and collectively, which may otherwise arise as a result of the issue of the Consideration Shares to them, to make, pursuant to Rule 9 of the City Code, a general offer for the Company. To be passed, Resolution 3 will require a simple majority of votes cast in favour of such resolution by Independent Shareholders. Individual members of the Concert Party whose holding is less than 50 per cent. would be restricted from purchasing further Ordinary Shares which carry voting rights if their holding of shares in the Company is 30 per cent. or more or if the purchase of additional Ordinary Shares would result in that person holding in excess of 30 per cent. of the voting rights of the Company.

9.8 Please see paragraph 9 of Part VIII for further details regarding the Concert Party.

10 LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

10.1 Upon Completion, the Proposed Directors will hold in aggregate 69,499,661 Consideration Shares representing 62.73 per cent. of the Enlarged Share Capital. Each Proposed Director (other than Paul Ranson who prior to the Acquisition holds, and upon Completion will hold, no securities in Alliance or in the Company) has undertaken, *inter alia*, to the Company that (save in the context of the acceptance of a public offer for the Company or the sale of its shares to a publicly named potential offeror, the giving of irrevocable undertakings in respect of a public offer for the Company, in accordance with a court order, in the event of a share buy-back by the Company and in the case of the Principal Vendors, in the event the Principal Vendors need to finance liabilities arising out of the Principal Agreement), they will not sell or dispose of, or agree to sell or dispose of, any of their Lock-in Shares or any interests in such shares at any time in the two years following Admission. For the purposes of this paragraph 10.1, "**Lock-in Shares**" means all of the Ordinary Shares owned by the Proposed Directors immediately after Completion (excluding any Placing Shares and any Ordinary Shares subsequently acquired by any Proposed Director).

10.2 Each of the Excluded Shareholders has agreed, subject to certain exceptions, only to effect any sales of the Consideration Shares received pursuant to the Optionholders Agreement through the Company's broker for the time being, for a period of twelve months following Admission.

10.3 Further details of the lock-in deed and the orderly marketing arrangements referred to in paragraphs 10.1 and 10.2 are set out in paragraphs 14.1.5 and 14.1.6 respectively of Part VIII.

11 CONVERTIBLE LOAN STOCK

11.1 The Convertible Loan Stock carries a coupon of 8 per cent. per annum which is payable six monthly in arrears on 28 February and 31 August in each year except that the first payment of interest, which will be made on 28 February 2004 will be in respect of the period from the date of issue to 28 February 2004 (both dates inclusive). Under the Trust Deed, at Completion, the Company will place in an account charged to the Trustee for the benefit of Stockholders a sum equal to two years' gross interest on the Stock as security for its obligations to make payments of principal, premium and interest on the Stock. The Company will draw upon such monies to meet interest payments under the Stock as they fall due during the first two years in which the Stock is outstanding.

11.2 The Convertible Loan Stock, which (save in respect of the monies to be paid into the charged account as referred to in paragraph 11.1) will be unsecured and will be subordinated in a winding up to the claims of the secured creditors of the Company from time to time, is convertible into Ordinary Shares at the rate of 476.19 Ordinary Shares for every 100 Units, subject to adjustment in certain circumstances. The conversion rate is equivalent to a subscription price of 21p per Ordinary Share. The conversion rights are exercisable at any time from the date of issue of the Stock to 30 November 2013. Any Convertible Loan Stock which has not been previously converted will, subject to the terms of the

Trust Deed, be redeemed on 31 December 2013 at par together with interest accrued up to and including the date of redemption. Particulars of the terms of the Trust Deed governing the Convertible Loan Stock are set out in Part VII.

12 ADMISSION TO AIM

A conditional application is being made to the London Stock Exchange for the Enlarged Share Capital and the £7.50 million nominal of Convertible Loan Stock to be admitted to trading on AIM. Admission is expected to become effective and trading in the Enlarged Share Capital and the Convertible Loan Stock to commence on 23 December 2003.

13 DIVIDEND POLICY

The Proposed Directors anticipate that any earnings will be retained by the Company for the development of the business of the Enlarged Group and will not be distributed for the foreseeable future to holders of Ordinary Shares as cash or other dividends. The declaration and payment by the Company of dividends will, once the Enlarged Group has achieved its development objectives, be dependent upon the Enlarged Group's results from operations and other factors deemed to be relevant at the time.

14 CORPORATE GOVERNANCE

14.1 The Proposed Directors intend to comply with the Combined Code on the Principles of Good Governance and the Code of Best Practice so far as is reasonably practicable for a company of Peerless's size following Completion.

14.2 An audit committee of the Board, initially comprising Steven Harris and Paul Ranson, will be established to operate with effect from Completion. The audit committee will determine the application of the financial reporting and internal control principles, and its remit will include reviewing the effectiveness of the Enlarged Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit following Completion.

14.3 A remuneration committee of the Board, initially comprising Steven Harris and Paul Ranson, will also be established to operate with effect from Completion. It will review the performance of the executive directors of the Company and will set their remuneration under their relevant contracts with the Company, determine the payment of bonuses to executive directors of the Company and consider bonus and option schemes. None of the executive directors of the Company will take part in discussions concerning their personal remuneration.

15 CONTROLLING SHAREHOLDER AGREEMENT

John Dawson and Stella Anne Dawson (a.k.a. Sam Madden), who will together own 56.20 per cent. of the Enlarged Share Capital of the Company following Completion, have entered into a Controlling Shareholder Agreement with the Company. Further details of this agreement are set out in paragraph 14.1.7 of Part VIII.

16 NUMIS OPTION

Pursuant to the Numis Option Agreement, further details of which are set out in paragraph 14.1.9 of Part VIII, Numis Securities will, conditional upon Admission, be granted the right to subscribe for 1,384,924 Ordinary Shares representing 1.25 per cent. of the Enlarged Share Capital. The Numis Option may be exercised within five years of Admission at an exercise price of the Issue Price per Ordinary Share.

17 PROPOSED OPTION TO NAVIGATORLTD LIMITED

The Proposed Directors are also proposing to engage the services of Navigatorltd Limited as a consultant to the Company after Completion. The Proposed Directors are proposing that the Company grant an option to Navigatorltd Limited to subscribe for up to 500,000 Ordinary Shares at a price of not less than 20p per share as part of its remuneration. This option would be exercisable for the duration of the consultancy plus one year (or until the second anniversary of Admission, if later) but would not be exercisable after the fifth anniversary of Admission.

18 SETTLEMENT

18.1 Please see paragraphs 5 and 8 of Part III for settlement details, which shall apply (in so far as they are relevant) to the New Ordinary Shares and/or Convertible Loan Stock upon Admission.

18.2 The Articles permit securities to be evidenced in uncertificated form in accordance with the CREST Regulations. In accordance with the CREST Regulations, the Directors have resolved to apply to CRESTCo for the title to the Ordinary Shares and the Units, in issue or to be issued, to be transferred by means of the CREST paperless system. CREST is a mandatory system and, subject to certain limitations, holders of Ordinary Shares and/or Units may choose to receive certificates in respect of any Ordinary Shares and/or Units or hold Ordinary Shares and/or Units (as the case may be) in uncertificated form. Accordingly, settlement of transactions in Ordinary Shares and/or Units following Admission may take place within the CREST system.

19 TAXATION

19.1 Your attention is drawn to the taxation information set out in paragraph 15 of Part VIII.

19.2 Holders of Ordinary Shares and prospective holders of Ordinary Shares and Stockholders and prospective Stockholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult their independent financial adviser.

20 SHARE OPTION PLAN

Conditional on and subject to the passing of the remaining Resolutions, the Company is proposing to introduce the Share Option Plan in which qualifying directors and employees of the Enlarged Group will be eligible to participate at the discretion of the Remuneration Committee, in order to assist with the appropriate motivation and remuneration of employees and directors of the Enlarged Group. Further details of the Share Option Plan are set out in paragraph 8.2 of Part VIII.

21 AMENDMENT OF ARTICLES TO LIMIT THE BORROWINGS DIRECTORS MAY INCUR ON BEHALF OF THE COMPANY

Conditional on and subject to the passing of the remaining Resolutions, the Company is also proposing to amend its Articles with respect to the limits on the Directors' authority to incur borrowings on behalf of the Company and its subsidiaries. Currently, the Articles contain no restriction on this authority. As part of the Proposals, it is proposed to introduce a limit to the Directors' authority to incur borrowings on behalf of the Enlarged Group, although it should be noted that in calculating the Company's borrowings for this purpose, the Convertible Loan Stock is not treated as a borrowing. Such authority will be restricted to four times the Company's adjusted capital and reserves as shown by the then latest annual audited accounts of the Company but subject to certain adjustments. Upon Completion, these adjustments will include adjustments to reflect the changes in the Enlarged Group's balance sheet following the Acquisition and the Placings and Open Offer. On the basis of the latest published audited balance sheets of the Company and Alliance and the adjustments to be made according to the proposed amendment to the Articles (but taking no account of the trading performance of the Company or Alliance after the last balance sheet dates), the Directors' authority to incur borrowings on behalf of the Enlarged Group as from Completion will be approximately £15.7 million in addition to Alliance's existing facilities. Further details of the proposed change to the Articles are set out in paragraph 4.2.6 of Part VIII.

22 EXTRAORDINARY GENERAL MEETING

22.1 In order to give effect to the Acquisition and to approve other elements of the Proposals and the Waiver, an EGM is being convened by the means of the Notice of EGM set out at the end of this document to be held at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate HG3 1SA at 11.00 a.m. on 22 December 2003 at which the Resolutions will be proposed. At the EGM, Shareholders will be asked to consider the Resolutions, each Resolution being conditional on and subject to the passing of the remaining Resolutions and the Resolutions being conditional on the Placing and Open Offer Agreement becoming unconditional (save only in respect of the condition therein relating to Admission). The Resolutions are being proposed as follows:

(a) to approve the Acquisition in accordance with the Share Purchase Agreements;

(b) to increase the authorised share capital of the Company from £500,000 to £2,000,000 by the creation of 150,000,000 new Ordinary Shares (representing approximately 300 per cent. of the Existing Ordinary Shares);

(c) to authorise the Directors to allot relevant securities until the fifth anniversary of the passing of such resolution pursuant to section 80 of the Act in connection with the Acquisition and the Placings (including the Ordinary Shares to be allotted on conversion in full of the Convertible Loan Stock), the Open Offer and the Numis Option and for other purposes up to a maximum nominal amount of approximately £1,965,000, representing approximately 1,300 per cent. of the Existing Ordinary Shares and approximately 98.25 per cent. of the Enlarged Share Capital of the Company as at 27 November 2003 (the latest practical date prior to the publication of this document). After accounting for the New Issue Shares and the Convertible Loan Stock to be issued by the Company pursuant to the Placings and the Open Offer (and accordingly after reserving for the Ordinary Shares which would be issued upon conversion in full of the Convertible Loan Stock), the Directors would have unutilised general and unconditional authority under section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £500,000, representing approximately one-third of the Enlarged Share Capital;

(d) to approve the Share Option Plan;

(e) to amend the Articles to provide for certain limitations on the authority of the Directors to incur borrowings on behalf of the Group, as further described in paragraph 21 of this Part I;

(f) to approve the Waiver;

(g) to disapply the statutory pre-emption rights contained in section 89 (1) of the Act in connection with the Placings and the Open Offer and the Numis Option, the proposed option to be granted to Navigatorltd Limited, and for other purposes up to an aggregate nominal amount of £795,000; and

(h) to change the name of the Company to Alliance Pharma PLC.

22.2 The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions hereafter declared, paid or made in respect of the Existing Share Capital.

22.3 Further details of these Resolutions are set out in the Notice of EGM.

22.4 In accordance with the requirements of the Code, the voting on the resolution referred to in paragraph 22.1(f) of this Part I will be held on a poll vote of Independent Shareholders.

23 ACTION TO BE TAKEN

23.1 **Extraordinary General Meeting**

A Form of Proxy is enclosed. Whether or not you intend to be present at the EGM and **whether or not you intend to apply for Open Offer Shares** under the Open Offer, you are kindly asked to **complete and return the Form of Proxy** in accordance with the instructions printed thereon to Capita Registrars Proxies, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, UK so as to be received **as soon as possible and in any event by not later than 11.00 a.m. on 20 December 2003**, which is 48 hours before the time of the EGM. Completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person, if you so wish.

23.2 **Open Offer**

Qualifying Shareholders who wish to apply for Open Offer Shares under the Open Offer should follow the instructions set out in the letter from Numis Securities in Part III and on the Application Form accompanying this document. Completed Application Forms should be returned, together with their application monies, so as to be received by post or (during normal business hours only) by hand to

Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, UK as soon as possible but in any event no later than 3.00 p.m. on 19 December 2003.

If you do not wish to apply for any of the Open Offer Shares, you should not complete or return an Application Form. Holders of Existing Ordinary Shares are in any event requested to complete and return the Form of Proxy as set out in paragraph 22.1 of this Part I above.

24 ADDITIONAL INFORMATION

Shareholders should read this entire document and your attention is drawn to the information contained in the rest of this document, which contains further information on the Proposals and the Enlarged Group.

25 RECOMMENDATION

The Directors, who have been so advised by Numis Securities, consider the Proposals to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. In providing advice to the Directors, Numis Securities has taken account of the Directors' commercial assessments. Accordingly, your Directors unanimously recommend you to vote in favour of each of the Resolutions to be proposed at the EGM as they intend to do in respect of their own legal and beneficial shareholdings, which in aggregate amount to 2,372,000 Ordinary Shares representing approximately 15.9 per cent. of the issued share capital of the Company as at 27 November 2003 (the latest practicable date prior to the publication of this document).

It is currently the intention of those Directors who are resigning from the board of the Company with effect from Admission, and who own Ordinary Shares, to sell some or all of their Ordinary Shares following Admission.

Yours faithfully,

Ajaz Ahmed
Non-executive 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 business, financial condition, results or future operations of the Enlarged Group after Completion could be materially adversely affected. In such circumstances, the price of the Ordinary Shares could decline and/or payment under the Convertible Loan Stock could be jeopardised and you could lose all or part of your investment. This document contains forward looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward looking statements as a result of many factors, including the risks faced by the Company and by Alliance some of which are described below and elsewhere in this document.

1. Value of shares and liquidity

The value of shares can go down as well as up and the market in the Ordinary Shares and/or the Convertible Loan Stock may have limited liquidity. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and/or the Convertible Loan Stock. It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List. The market price of an investment on AIM may not reflect the underlying value of the Company's net assets. The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the market following Completion or following the expiry of the non-disposal undertakings referred to in paragraph 14 of Part VIII.

2. Share price volatility

There are a number of factors outside the Company's control which may cause the price of an Ordinary Share to fluctuate significantly in the future, including the price and volume fluctuations frequently experienced after Admission, the sectors in which the Company operates and the conditions from time to time of the global economy which may be adversely affected by political events, war, acts of terrorism or other factors. Investors may receive less, upon the sale of their Ordinary Shares or Convertible Loan Stock, than the amount paid for them. Neither the Ordinary Shares nor the Convertible Loan Stock may be suitable for a short-term investment.

3. Dependence on key executives and personnel

The nature of Alliance and its business model creates reliance upon a relatively small number of key personnel, whose expertise in their denominated business activity is important to the fortunes of the Company going forward. In the future and after Completion, the Proposed Directors intend to expand and develop the operations of its key functions and to recruit additional personnel to support those who currently manage the various business functions, as the business itself expands. Until this is achieved, the Company is dependent upon the continuing availability of the present managers or its ability to obtain suitable replacements. The loss of key personnel and/or the inability to recruit further key personnal could have a material adverse effect on the future of the Enlarged Group through the impairment of the day-to-day running of the Enlarged Group, the inability to develop new products and the inability to develop new and maintain existing customer relationships.

4. Management and control

Upon Admission, the principal shareholders of the Company, John Dawson and Stella Anne Dawson (a.k.a. Sam Madden) (his wife), will together hold 56.20 per cent. of the Enlarged Share Capital. John Dawson and/or Stella Anne Dawson (a.k.a. Sam Madden) may be able to exercise significant influence over the Company's corporate actions subject to the terms of the Controlling Shareholder Agreement which is described in paragraph 14.1.7 of Part VIII.

5. The Pharmaceutical Price Regulation Scheme

In the UK, the Department of Health exercises governmental control over the pricing of branded medicines prescribed through the National Health Service under the Pharmaceutical Price Regulation Scheme. The scheme provides stability of pricing to the benefit of business planning for companies involved in the production of medicines. Periodically, and historically at approximate five year intervals, the Department of Health conducts a review of various financial performance statistics such as return on capital, relating to manufacturers of prescription medicines, against sector benchmarks. This procedure can and has resulted in the Department of Health imposing price reductions on the manufacturers of medicines. The most recent review took place in 1999. It is possible that a future review could result in the compulsory reduction of the prices achieved by Alliance for its products in the UK and that this may impact the income of Alliance and its profitability.

6. Competition

Alliance operates in a competitive market sector. The Alliance Directors have taken steps to select products for acquisition and marketing that have strong market positions and which prescribing General Practitioners have a history of favouring. The Company will not be immune from innovation on the part of competitors and the availability of new products could reduce the sales of Alliance brands.

7. The Enlarged Group's objective

The value of an investment in the Enlarged Group is dependent upon the Enlarged Group achieving its strategic aims. Whilst the Proposed Directors are optimistic about the Enlarged Group's prospects, there is no certainty that anticipated revenues or profits will be achieved. The Enlarged Group may also need to commit greater resources than have currently been budgeted for and it is possible therefore that the Enlarged Group may have resource constraints on its ability to achieve its stated objectives.

8. Dependence on suppliers

Alliance relies extensively on outside parties for many of its activities and services. Alliance is therefore at risk in respect of under-performance and exploitation of commercial dependence by such outside parties and by business interruption affecting them. Although the existence of several alternative suppliers for each function mitigates the risks associated with this dependence, as does the availability of commercial insurance in respect of the impact of accidental events, the failure of an outside party to perform a material supply to the Enlarged Group could have a material adverse impact on the business and operations of the Enlarged Group.

9. Additional capital and dilution

The Enlarged Group may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of existing shareholders. If the Enlarged Group fails to generate sufficient cash through the sales of its products or from other sources of revenue, the Company may need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Company is not able to obtain financing on terms acceptable to it or at all, it may be forced to curtail its planned development.

10. Development of pharmaceutical products

Part of the Enlarged Group's business plan includes the development and distribution of products which are currently in a late stage of development, albeit close to market. Development of any pharmaceutical products involves clinical trials. Adverse or inconclusive results from clinical trials could substantially delay, or halt entirely, any further development of any particular product.

11. Commercial agreements

Part of Alliance's current revenues are derived from licensing or collaboration agreements with other pharmaceutical companies. There is no assurance that when these agreements expire they will necessarily be renewed. In relation to products in development, there is no assurance that the Enlarged Group will be able to negotiate commercially acceptable licensing or other agreements for the future exploitation of the relevant

product(s). In addition, there can be no assurance that any company that enters into agreements with the Enlarged Group will not pursue alternative technologies either on its own or in collaboration with others, including the Enlarged Group's competitors, as a means of developing treatments for the conditions targeted by those products which the Enlarged Group is marketing or developing.

12. Intellectual property, patent protection and regulatory approvals

The commercial success of the Enlarged Group depends in part on its ability and or that of its licensors to obtain patent protection for products and to preserve the confidentiality of its own and its collaborators' know-how. No assurance is given that the Enlarged Group will develop products that are patentable or that patents will be sufficiently broad in their scope to provide protection for the Enlarged Group's intellectual property rights or to exclude competitors with similar technology or products. Substantial costs may be incurred if the Enlarged Group is required to defend its intellectual property rights including patent and trade marks against third parties.

There is no assurance that obligations to maintain the Enlarged Group's or its collaborators' know-how will not be breached or otherwise become known in a manner which provides the Enlarged Group with no recourse. The commercial success of the Enlarged Group may also depend in part on non-infringement by the Enlarged Group of patents granted to third parties. If this is the case, the Enlarged Group may have to obtain appropriate licences under these patents or cease and/or alter certain activities or processes or develop or obtain alternative technology.

Due to Alliance's business in the development and marketing of certain pharmaceutical products, Alliance is dependent on a number of patents, licences and other intellectual property rights and is also dependent upon obtaining and retaining certain licences, authorisations and consents from governmental and other regulatory bodies which authorise it to conduct its business and market and distribute its products. The loss, withdrawal or cancellation of or attachment of onerous conditions in connection with certain of such patents, licenses and other intellectual property rights or licenses, authorisations or consents granted by governmental or other regulatory bodies could have a significant impact on the business of the Enlarged Group.

13. Product liability and insurance

Alliance's business exposes it to potential product liability risks which are inherent in the development, clinical trials, marketing and the use of human therapeutic products. In addition, it may be necessary for the Enlarged Group to secure certain levels of insurance as a condition to the conduct of clinical trials. There can be no assurance that future necessary insurance cover will be available to the Enlarged Group at an acceptable cost, if at all, or that, in the event of any claim, the level of insurance carried by the Enlarged Group now or in the future will be adequate or that any products liability or other claim would not materially and adversely affect the business.

The risks listed above are not presented in any order of priority and do not necessarily comprise all those faced by the Enlarged Group.

PART III

LETTER FROM NUMIS SECURITIES RELATING TO THE OPEN OFFER

AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY
A MEMBER OF THE LONDON STOCK EXCHANGE

28 November 2003

To: Qualifying Shareholders

Dear Shareholder

Proposed Open Offer of 7,481,250 New Issue Shares

1 Introduction

It was announced today that the Company is proposing, *inter alia,* to issue up to 22,914,736 new Ordinary Shares to raise approximately £3.67 million, before expenses, as part of the Placings and the Open Offer (excluding the Vendor Placing).

The expenses will be payable by the Company out of the proceeds of the Placings and the Open Offer.

Under the Placing and Open Offer Agreement, Numis Securities has agreed to use reasonable endeavours to place with institutional and other investors 22,914,736 New Issue Shares subject, in the case of 7,481,250 such shares, to clawback to satisfy entitlements under the Open Offer, in each case at the Issue Price.

Your attention is drawn to the letter from your Chairman in Part I, which sets out the background to and reasons for the Proposals.

The Placings and the Open Offer have been arranged and fully underwritten by Numis Securities. This letter contains the formal terms and conditions of the Open Offer and should be read in conjunction with the remainder of this document and the accompanying Application Form.

2 The Open Offer

Subject to the terms and conditions set out in this letter and in the Application Form, Numis Securities, on behalf of and as agent for the Company, hereby invites applications from Qualifying Shareholders to subscribe for the Open Offer Shares at a price of 16 pence per Open Offer Share payable in full in cash on application, free from all commissions and expenses on the basis of:

1 Open Offer Share for every 2 Existing Ordinary Shares

held by them at the close of business on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. You may apply for less than your minimum guaranteed *pro rata* entitlement to Open Offer Shares if you so wish. The Issue Price represents a premium of 15 pence per Open Offer Share over the nominal value of 1 pence per Open Offer Share.

Fractional entitlements to Open Offer Shares will not be issued to Qualifying Shareholders and no cash payments will be made in lieu of fractional entitlements. Accordingly, the entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Any fractional entitlements arising under the Open Offer will be aggregated and allotted to Numis Securities, as

underwriter, (or such other person(s) as Numis Securities may procure) for the benefit of the Company. Qualifying Shareholders may apply for any number of Open Offer Shares up to, but not more than, their guaranteed *pro rata* entitlement to Open Offer Shares.

To the extent that Numis Securities is unable to procure placees for any Open Offer Shares which are not taken up under the Open Offer, Numis Securities has agreed to subscribe as principal at the Issue Price for any such Open Offer Shares. Further details of the terms on which Numis Securities has agreed to underwrite the Open Offer are set out in paragraph 14.1.2 of Part VIII.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared or paid thereon following Admission. They will be issued free from all liens, charges and encumbrances.

The Placings and the Open Offer are conditional, *inter alia*, upon:

(a) the passing of the Resolutions at the EGM;

(b) the Placing and Open Offer Agreement becoming unconditional, save only for the condition relating to Admission, by not later than 23 December 2003 (or such later date, being no later than 5 January 2004, as the Company and Numis Securities may agree) and that agreement not having been terminated in accordance with its terms; and

(c) Admission.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Shareholders' entitlements under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the Application Form is not a document of title and can not be traded. Qualifying Shareholders should be aware that under the Open Offer, unlike in a rights issue, the Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply for them under the Open Offer, but will be allotted to Numis Securities as underwriter or such other person(s) as Numis Securities may procure pursuant to the Placing and Open Offer Agreement.

The attention of overseas Shareholders is drawn to paragraph 6 of this Part III.

Further details of the Placing and Open Offer Agreement are set out in paragraph 14.1.2 of Part VIII of this document.

3 Procedure for application

Each Application Form shows the number of Existing Ordinary Shares registered in the relevant Qualifying Shareholder's name on the Record Date, and also shows the basic entitlement to Open Offer Shares for which such Qualifying Shareholder is entitled to apply under the Open Offer, calculated on the basis set out in paragraph 2 above.

The Application Form incorporates further terms and conditions of the Open Offer and must be used if you wish to apply for Open Offer Shares. A Qualifying Shareholder may apply for any number of Open Offer Shares up to and including his/her maximum entitlement as shown on the Application Form. No application for Open Offer Shares in excess of this maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his/her maximum entitlement. Any monies received from an applicant in excess of the amount due in respect of his/her application or deemed application will be returned to the applicant without interest at the applicant's sole risk.

Applications for Open Offer Shares under the Open Offer may only be made on an Application Form. Each Application Form is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims in relation to purchases of existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange. The Application Form represents only a right to apply for Open Offer Shares. It is not a document of title and can not be traded.

Any Qualifying Shareholder who wishes to apply for all or any of the Open Offer Shares to which he/she is entitled must complete the Application Form in accordance with the instructions printed thereon and return it by post or by hand (during normal business hours) to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, UK (being the address of the Receiving Agent) with a cheque or banker's draft for the full amount payable on application so as to arrive before 3.00 p.m. on 19 December 2003, at which time the Open Offer will close. A reply-prepaid envelope is enclosed for use by Qualifying Shareholders in connection with the Open Offer. If an Application Form is being sent by post, Qualifying Shareholders are recommended to allow at least four working days for delivery.

By completing and delivering an Application Form, you (as the applicant(s)):

(a) agree that all applications, acceptances of applications and controls resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, English law; and

(b) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you, accordingly, agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any representation or information not so contained.

Any Qualifying Shareholder who does not wish to apply for any of the Open Offer Shares to which he/she is entitled should not return a completed Application Form to Capita IRG Plc. All Shareholders are nevertheless requested to complete and return the enclosed Form of Proxy for use in connection with the EGM whether or not you intend to be present at the EGM. Applications made under the Open Offer are irrevocable and receipt will not be acknowledged.

Cheques and banker's drafts should be made payable to "Capita IRG Plc – Peerless Technology Group Plc" and crossed "A/C payee only". Cheques or banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the committees of the Scottish or Belfast clearing houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sorting code in the top right hand corner and must be for the full amount payable on application.

The Company reserves the right to reject applications unless these requirements are fulfilled. The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Capita IRG Plc to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Any Qualifying Shareholder returning an Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. The Company may elect at its sole discretion to treat as invalid any acceptance in respect of which remittance is notified to it as not having been so honoured.

If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be held in a separate non-interest bearing account, with any interest being retained for the benefit of the Company until all conditions are met. If such conditions are not fulfilled by 5 January 2004 at the latest, the Open Offer will lapse and application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) through the post at their sole risk as soon as practicable after the lapse of the Open Offer.

The Company reserves the right to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions or is not accompanied by the required remittance or a valid power of attorney (where required) or verification of identity satisfactory to Capita IRG Plc to ensure that the Money Laundering Regulations 1993 (the "**Money Laundering Regulations**") would not be breached by acceptance of the payment submitted in connection with the Application Form or if it otherwise does not strictly comply with the terms and conditions set out in this document or on the Application Form.

The Company reserves the right, but shall not be obliged, to accept applications accompanied by the required remittances which are received after 3.00 p.m. on 19 December 2003 but not later than 3.00 p.m. on 20 December 2003, provided that the cover bears a legible postmark not later than 3.00 p.m. on 19 December 2003. The Company reserves the right, but shall not be obliged, to accept applications in respect of which remittances are received prior to 3.00 p.m. on 19 December 2003 from an authorised person (as that term is defined in FSMA) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

All enquiries in connection with the procedure for application and completion of the Application Form should be referred to Capita IRG Plc, which is acting as Receiving Agent in respect of the Open Offer. The telephone number of Capita IRG Plc is 0870 162 3100 or, if calling from outside the UK, +44 20 8639 2157.

4 Money Laundering Provisions

To ensure compliance with the Money Laundering Regulations, it is a term of the Open Offer that Capita IRG Plc may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). The person (the "**applicant**") who, by lodging an Application Form with payment, applies for Open Offer Shares (the "**relevant shares**") and any agent lodging such Application Form on his/her behalf shall thereby be deemed to undertake to provide Capita IRG Plc with such information and other evidence as Capita IRG Plc may require to satisfy the verification of identity requirements.

If Capita IRG Plc determines that the verification of identity requirements apply to an Application Form, the relevant shares will not be allotted to the applicant (notwithstanding any other term of the Open Offer) unless and until the verification of identity requirements have been satisfied. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in a delay in the despatch of a share certificate or delivery of the relevant shares in CREST (as applicable). If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity, the Company shall, at its sole discretion, be entitled to elect to treat the relevant Application Form as invalid, in which case the monies paid by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Capita IRG Plc shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to an Application Form and whether such requirements have been satisfied, and neither Capita IRG Plc nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

The verification of identity requirements will not usually apply:

(a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (no.91/308/EEC) as amended by Council Directive 2001/97/EC; or

(b) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or

(c) if the aggregate subscription price for the relevant shares is less than EURO 15,000 or its equivalent.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;

(ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form evidence of his/her name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address (originals of such documents (not copies) are required which will be returned in due course); and

(iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, Japan, New Zealand, Norway, Singapore, Switzerland, Turkey, UK Crown Dependencies and the United States), the agent should provide with the Application Form written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita Registrars Plc.

In order to confirm the acceptability of any written confirmation referred to in paragraph (iii) above or in any other case, the applicant should contact Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, UK. The telephone number of Capita IRG Plc is 0870 162 3100 or, if calling from outside the UK, +44 20 8639 2157.

If (an) Application Form(s) in respect of Open Offer Shares with an aggregate subscription price of EURO 15,000, or its equivalent, or more is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example his/her valid full passport) and evidence of his/her address.

If an Application Form is delivered by hand and the accompanying payment is not the applicant's own cheque, the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

5 CREST

Although the Open Offer will be processed outside CREST, for the purposes of calculating entitlements under the Open Offer, CREST and non-CREST shareholdings will be treated independently and a separate Application Form will be issued in respect of each. If a Qualifying Shareholder has both an uncertificated and certificated shareholding in the Company, there will be two separate Application Forms despatched in respect of such holdings.

Qualifying Shareholders holding their Existing Ordinary Shares in certificated form will be allotted all Open Offer Shares to which they are entitled (and for which they validly apply) in certificated form to the extent their entitlement arises as a result of their holding of Existing Ordinary Shares in certificated form. Qualifying Shareholders holding their Existing Ordinary Shares in uncertificated form will be allotted all Open Offer Shares to which they are entitled (and for which they validly apply) in uncertificated form to the extent that their entitlement arises as a result of their holding Existing Ordinary Shares in uncertificated form.

Qualifying Shareholders who currently hold their Existing Ordinary Shares in certificated form but who wish to hold all or part of their holding of Existing Ordinary Shares in uncertificated form will need to comply separately with the relevant CREST procedures for conversion of such shares into uncertificated form following receipt of their share certificates.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the member account ID and participation ID details) are not provided as requested on the Application Form.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Open Offer. For more information as to the procedure for application in each case, Qualifying Shareholders are referred to the Application Form.

6 Overseas Shareholders

The making of the Open Offer to persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom may be affected by the laws or regulatory requirements of such relevant jurisdiction. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which have been fulfilled.

It is the responsibility of any person resident outside the United Kingdom or who is a citizen of a country other than the United Kingdom wishing to apply for any Open Offer Shares under the Open Offer to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required and compliance with any other formalities needing to be observed in such territory and payment of any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, nominees and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer must not distribute or send either of these documents in or into the United States, Canada, Australia, Ireland or Japan or their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations (together the "**prohibited territories**"). If a copy of this document and/or the Application Form is received by a person in any of the prohibited territories or by his/her agent or nominee of such a person, he/she must not seek to take up the Open Offer Shares under the Open Offer. Any person who does forward a copy of this document and/or the Application Form into any prohibited territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this letter.

Peerless Technology Group plc reserves the right to accept or reject, in its absolute discretion, Application Forms received from persons in any prohibited territory or persons it believes are acquiring Open Offer Shares for re-sale in any such territory. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay. All payments in connection with an accepted Application Form must be made in pounds sterling.

In particular, Shareholders should note the following:

United States and Canada

As the Open Offer Shares are not being registered under the Securities Act and as the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada, the Open Offer Shares are not being offered in or for purchase by persons resident in the United States or Canada or any territory or possessions thereof ("**North America**"). Applications from any North American person who appears to be or whom Peerless Technology Group plc or Numis Securities have reason to believe to be so resident or the agent of any person so resident may be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in North America. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American person or the agent of a North American person so resident, he/she should not apply under the Open Offer.

Numis Securities reserves the right to invite a limited number of Shareholders in the United States to apply for Placing Shares who may qualify as an institutional "accredited investor" as defined in Rule 501(a) under the Securities Act, under restrictions designed to preclude a distribution which would require registration of such Placing Shares under the Securities Act and otherwise to ensure compliance with the laws of the United States. Any such Placing Shares acquired by an institutional "accredited investor" will be deemed "restricted

securities" for purposes of US securities laws and subject to restrictions on re-sale or transfer. In addition, any such investor will be required to make certain representations and warranties to Peerless Technology Group Plc in connection with any such investment. For the purposes of this document, "**North American person**" means a "U.S. Person" as defined in Regulation S of the United States Securities Act of 1933 or citizen or resident of North America including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any state or trust, the income of which is liable to Canadian income tax regardless of its services or any political sub-division thereof.

Australia

No prospectus in relation to the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

(a) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or

(b) distribute any draft or definitive document in relation to any such offer, invitation or sale

in the Commonwealth of Australia, its states, territories or possessions ("**Australia**") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia).

Accordingly, this document and the Application Form will not be issued to Shareholders with registered addresses in, or to residents of, Australia.

Ireland

In order to comply with the laws of Ireland, no Application Forms will be sent to Qualifying Shareholders with registered addresses in Ireland.

Japan

The Open Offer is not being made in Japan and the Open Offer Shares will not be available for purchase by any resident of Japan, including any corporations organised under the laws of Japan.

Other overseas territories

Shareholders resident in other overseas territories should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

7 Taxation

The attention of Shareholders is drawn to paragraph 15 of Part VIII. Shareholders who are in any doubt as to their tax position should consult a suitable professional adviser immediately.

8 Admission, dealings and settlement

Application will be made to the London Stock Exchange for, *inter alia*, the New Ordinary Shares, including the New Issue Shares, to be admitted to trading on AIM. Subject to the Placings and the Open Offer becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence on 23 December 2003.

Subject to the satisfaction of the conditions of the Placings and the Open Offer, the Open Offer Shares will be registered in the names of the Qualifying Shareholders validly applying for them and issued as applicable either:

(a) in certificated form, with the relevant share certificate expected to be dispatched by post, at the applicant's sole risk by 5 January 2004; or

(b) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 23 December 2003, unless the Company exercises its right to issue such Open Offer Shares in certificated form.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her sole risk. Pending the dispatch of definitive share certificates, instruments of transfer will be certified against the register.

9 Further information

Your attention is drawn to the additional information set out in Parts I to VIII (inclusive) and to the terms and conditions set out in the enclosed Application Form.

Yours faithfully,

for and on behalf of Numis Securities Limited

John Harrison
Director

PART IV

ACCOUNTANTS' REPORT ON ALLIANCE

The Directors and the Proposed Directors
Peerless Technology Group Plc
Nidderdale House
Beckwith Knowle
Otley Road
HARROGATE
HG3 1SA

Grant Thornton

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
LONDON
EC2V 6LH

28 November 2003

Dear Sirs

ALLIANCE PHARMACEUTICALS LIMITED ("ALLIANCE") AND ITS SUBSIDIARY UNDERTAKINGS ("ALLIANCE GROUP")

1 INTRODUCTION

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 28 November 2003, relating to the proposed acquisition by Peerless Technology Group Plc of Alliance, the Placings and the Open Offer and application for Admission for trading on the Alternative Investment Market of the London Stock Exchange Plc.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of the Alliance Group for the three years ended 28 February 2003 and has been prepared on the basis set out below after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Alliance Pharmaceuticals Limited who approved their issue.

The Directors and the Proposed Directors of Peerless Technology Group Plc are responsible for the contents of the prospectus in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives, for the purposes of the prospectus dated 28 November 2003, a true and fair view of the results and cash flows of the Alliance Group for the three years ended 28 February 2003 and the state of affairs of the Alliance Group at the end of each of those years.

Consent

We consent to the inclusion in the prospectus dated 28 November 2003 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. STATUTORY INFORMATION

Alliance was incorporated on 16 September 1996 in England and Wales under the Companies Act 1985 as a private company limited by shares with Registered Number 3250064.

On 20 September 2002 the authorised share capital of 100,000,000 Ordinary Shares of 1p each were converted to 20,000,000 A Ordinary Shares of 1p each and 80,000,000 B Ordinary Shares of 1p each, with the existing allotted, called up and fully paid 28,118,182 Ordinary Shares converted to B Ordinary Shares.

The following companies form the Alliance Group and all were, at 28 February 2003, wholly owned by Alliance Pharmaceuticals Limited:

- Alliance Health Limited; incorporated on 23 May 2000
- Alliance Consumer Health Limited; incorporated on 13 July 2000
- Alliance Generics Limited; incorporated on 13 July 2000
- Alliance Healthcare Limited; incorporated on 13 July 2000

Alliance Pharmaceuticals Limited and Alliance Health Limited are the only companies to have ever carried on a trade although Alliance Health Limited ceased trading in February 2003.

3. ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The group financial information consolidates that of Alliance and of its subsidiary undertakings. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting except for those qualifying as group reconstructions where merger accounting is permitted.

Turnover

Turnover is the total amount receivable by the Alliance Group for goods supplied excluding VAT and trade discounts.

Intangible fixed assets

Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of ten years.

Technical know how and trademarks

Technical know-how and trademarks are included at cost and amortised on a straight-line basis over their estimated useful economic lives of ten years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Computer equipment	33.3% straight line
Fixtures, fittings and equipment	20% and 25% straight line
Motor vehicles	25% straight line

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Research and development

Research expenditure is charged to profits in the period in which it is incurred. Development costs are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

4. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note	*Year ended 28 February 2001 £'000*	*Year ended 28 February 2002 £'000*	*Year ended 28 February 2003 £'000*
Turnover	7.1	6,117	6,342	8,327
Cost of sales other than amortisation of intangible fixed assets		(4,420)	(4,385)	(4,687)
Amortisation of intangible fixed assets		(209)	(415)	(1,400)
		(4,629)	(4,800)	(6,087)
Gross profit		1,488	1,542	2,240
Administrative expenses		(1,328)	(1,181)	(1,553)
Operating profit		160	361	687
Interest payable and similar charges	7.2	(35)	(187)	(1,422)
Interest receivable		1	–	4
Profit/(loss) on ordinary activities before taxation	7.1	126	174	(731)
Tax on profit/(loss) on ordinary activities	7.4	(67)	(163)	(1)
Profit/(loss) retained and transferred to/(from) reserves	7.15	59	11	(732)

All transactions arose from continuing operations.

There were no recognised gains or losses other than the profit/(loss) for the financial years under review.

5. CONSOLIDATED BALANCE SHEETS

	Note	*As at 28 February 2001 £'000*	*As at 28 February 2002 £'000*	*As at 28 February 2003 £'000*
Fixed assets				
Intangible assets				
– Goodwill	7.5	992	1,671	2,814
– Other assets	7.5	661	4,432	14,024
Tangible assets	7.6	133	138	214
		1,786	6,241	17,052
Current assets				
Stocks	7.7	1,434	1,674	1,928
Debtors	7.8	767	909	1,630
Cash at bank and in hand		–	–	206
		2,201	2,583	3,764
Creditors: amounts falling due within one year	7.9	(3,325)	(3,462)	(5,136)
Net current liabilities		(1,124)	(879)	(1,372)
Total assets less current liabilities		662	5,362	15,680
Creditors: amounts falling due after more than one year	7.10	(67)	(4,679)	(15,675)
Provisions for liabilities and charges	7.12	(67)	(144)	(198)
		528	539	(193)
Capital and reserves				
Called up share capital	7.14	281	281	281
Share premium account	7.15	7	7	7
Profit and loss account	7.15	240	251	(481)
Shareholders' funds	7.16	528	539	(193)

6. CONSOLIDATED CASH FLOW STATEMENTS

	Note	*Year ended 28 February 2001 £'000*	*Year ended 28 February 2002 £'000*	*Year ended 28 February 2003 £'000*
Net cash inflow/(outflow) from operating activities	7.17	54	(505)	1,750
Returns on investments and servicing of finance				
Interest received		1	–	4
Interest payable		(35)	(187)	(1,083)
		(34)	(187)	(1,079)
Taxation		–	–	(33)
Capital expenditure				
Payments to acquire intangible fixed assets		–	(4,865)	(12,135)
Payments to acquire tangible fixed assets		(110)	(32)	(102)
Receipts from sales of tangible fixed assets		–	3	8
		(110)	(4,894)	(12,229)
Net cash outflow before financing		(90)	(5,586)	(11,591)
Financing				
Issue of ordinary share capital		18	–	–
Long term bank loans		–	5,365	14,297
Repayment of long term bank loan		–	–	(2,100)
Repayment of other long term loans		(21)	(46)	(15)
Capital element of hire purchase and finance lease contracts		(9)	(13)	(25)
Net cash (outflow)/inflow from financing		(12)	5,306	12,157
(Decrease)/increase in cash	7.18	(102)	(280)	566

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Turnover and profit on ordinary activities before taxation

Turnover and profit/(loss) on ordinary activities before taxation are derived from the principal activities of development, marketing and distribution of pharmaceutical products.

Geographical segments

All turnover originates in the United Kingdom.

Turnover by destination

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
United Kingdom	6,117	6,265	7,149
Rest of the European Union	–	77	1,178
Group turnover	6,117	6,342	8,327

Profit/(loss) on ordinary activities before taxation is stated after:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Operating profit is stated after charging:			
Auditors' remuneration			
Audit services	6	9	10
Non-audit services	8	16	18
Depreciation and amortisation			
Goodwill	125	160	294
Other intangible fixed assets	84	255	1,106
Tangible fixed assets, owned	41	45	48
Tangible fixed assets, held under finance leases	7	12	19
and after crediting:			
Profit on disposal of tangible assets	–	3	2
Profit on foreign exchange transactions	–	–	14

Cost of sales for the year to 28 February 2003 includes an exceptional stock write-off totalling £150,000 in relation to Lysovir stock.

7.2 Interest payable and similar charges

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Exchange loss on long term loan denominated in Euros	–	–	339
On bank loans and overdrafts	–	2	8
On other loans wholly repayable within 5 years	5	–	694
On loans repayable after 5 years	–	159	378
Lease finance charges	1	2	3
On amounts payable to factors	29	21	–
Other interest	–	3	–
	35	187	1,422

During the year ended 28 February 2003, the Company took out a long term Euro loan as stated in note 7.11 to this financial information. Translation of the outstanding balance at the year end gave rise to an exchange loss of £338,965.

7.3 **Directors and employees**

Staff costs during the year were as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Wages and salaries	326	372	470
Social security costs	35	36	54
Pension costs	38	23	38
	399	431	562

The average number of employees (including directors) during the year was:

	2001 *Number*	*2002* *Number*	*2003* *Number*
Management and administration	8	11	11

Remuneration in respect of directors was as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Emoluments for qualifying services	149	192	228
Contributions to money purchase pension schemes	20	7	18
	169	199	246

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2003 *£'000*
Emoluments for qualifying services	118
Pension contributions to money purchase pension schemes	10
	128

The highest paid director's accrued pension at the year end was £nil (2002 and 2001: £nil) and the highest paid director's accrued lump sum was £nil (2002 and 2001: £nil).

7.4 **Tax on profit on ordinary activities**

The taxation charge is based on the profit for the year and represents:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Current year tax			
Adjustment in respect of prior period	–	86	(53)
Deferred tax	67	77	54
Total current tax	67	163	1
United Kingdom corporation tax at 30% (2002/1: 20%)	–	35	(219)
Origination and reversal of timing differences			
Non-deductible expenses	–	2	128
Depreciation	–	94	291
Capital allowances	–	(173)	(284)
Adjustment in respect of prior period	–	86	(53)
Chargeable disposals	–	–	–
Other adjustments	–	42	84
	–	51	166
Total deferred tax (Note 7.12)	67	77	54
Tax on profit on ordinary activities	67	163	1

7.5 **Intangible fixed assets**

	Technical knowhow £'000	*Trade Marks £'000*	*Sub-total £'000*	*Goodwill £'000*	*Total £'000*
Cost					
At 1 March 2000	835	–	835	1,253	2,088
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 1 March 2001	835	–	835	1,253	2,088
Additions	2,943	1,083	4,026	839	4,865
Disposals	–	–	–	–	–
At 1 March 2002	3,778	1,083	4,861	2,092	6,953
Additions	8,619	2,079	10,698	1,437	12,135
Disposals	–	–	–	–	–
At 28 February 2003	12,397	3,162	15,559	3,529	19,088
Amortisation					
At 1 March 2000	90	–	90	136	226
Provided in the year	84	–	84	125	209
Disposals	–	–	–	–	–
At 1 March 2001	174	–	174	261	435
Provided in the year	210	45	255	160	415
Disposals	–	–	–	–	–
At 1 March 2002	384	45	429	421	850
Provided in the year	851	255	1,106	294	1,400
Disposals	–	–	–	–	–
At 28 February 2003	1,235	300	1,535	715	2,250
Net book value					
At 28 February 2001	661	–	661	992	1,653
At 28 February 2002	3,394	1,038	4,432	1,671	6,103
At 28 February 2003	11,162	2,862	14,024	2,814	16,838

7.6 **Tangible fixed assets**

	Computer equipment £'000	*Fixtures, fittings & equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost				
At 1 March 2000	47	28	42	117
Additions	17	93	–	110
Disposals	–	–	–	–
At 1 March 2001	64	121	42	227
Additions	17	11	34	62
Disposals	–	–	(15)	(15)
At 1 March 2002	81	132	61	274
Additions	23	68	58	149
Disposals	–	–	(28)	(28)
At 28 February 2003	104	200	91	395
Depreciation				
At 1 March 2000	16	10	20	46
Provided in the year	23	15	10	48
Disposals	–	–	–	–
At 1 March 2001	39	25	30	94
Provided in the year	22	22	13	57
Disposals	–	–	(15)	(15)
At 1 March 2002	61	47	28	136
Provided in the year	21	28	18	67
Disposals	–	–	(22)	(22)
At 28 February 2003	82	75	24	181
Net book amounts				
At 28 February 2001	25	96	12	133
At 28 February 2002	20	85	33	138
At 28 February 2003	22	125	67	214

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Total £'000
Net book amount at 28 February 2001	11
Net book amount at 28 February 2002	34
Net book amount at 28 February 2003	67
Depreciation provided in the year ended 28 February 2001	7
Depreciation provided in the year ended 28 February 2002	12
Depreciation provided in the year ended 28 February 2003	19

7.7 **Stocks**

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Finished goods for resale	1,434	1,674	1,928

7.8 **Debtors**

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Trade debtors	673	748	1,510
Other debtors	37	36	36
Prepayments and accrued income	57	125	84
	767	909	1,630

7.9 **Creditors: amounts falling due within one year**

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Bank loans and overdrafts	80	1,075	1,915
Trade creditors	2,684	2,125	2,847
Corporation tax	–	86	–
Other taxation and social security	91	64	168
Directors current accounts	1	1	–
Accruals and deferred income	133	95	181
Other creditors	329	–	–
Amounts due under finance lease and hire purchase contracts	7	16	25
	3,325	3,462	5,136

Bank loans are secured by a fixed and floating charge over the assets of the business.

7.10 **Creditors: amounts falling due after more than one year**

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Bank loans	–	4,649	15,647
Other loans	61	15	–
Amounts due under finance leases and hire purchase agreements	6	15	28
	67	4,679	15,675

Bank loans are secured by a fixed and floating charge over the assets of the business.

7.11 **Borrowings**

Borrowings are repayable as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Analysis of loans			
Not wholly repayable within five years	–	–	6,058
Wholly repayable within five years	61	5,379	11,504
Included in current liabilities	–	(715)	(1,915)
	61	4,664	15,647
Loan maturity analysis			
In more than one year but not more than two years	61	933	2,101
In more than two years but not more than five years	–	2,799	7,487
In more than five years	–	932	6,059
	61	4,664	15,647

Amounts due under finance leases and hire purchase contracts

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Repayable within one year	7	16	25
Repayable between one and five years	6	15	28
	13	31	53
Included in liabilities falling due within one year	(7)	(16)	(25)
	6	15	28

Bank of Scotland loans above are made up of:

Senior loan £10,164,550

This consists of 3 tranches, Tranche A of £2,604,550, Tranche B of £2,060,000 and Tranche C of £1,500,000 and €6,344,000. Tranches A and B are repayable by October 2007 and Tranche C is repayable by February 2008. Interest of Tranches A and B is payable quarterly at the bank's annual rate, being LIBOR plus a given margin, currently 2.5 per cent. and 3.5 per cent. respectively. Interest on the Sterling loan within Tranche C is payable quarterly at the bank's annual rate, being LIBOR plus a given margin, currently 2.5 per cent. Interest on the Euro loan within Tranche C is payable quarterly at the bank's annual rate, being EURIBOR plus a given margin, currently 2.5 per cent.

Mezzanine loan £2,500,000

This is repayable by February 2009. Interest is payable quarterly at the bank's annual rate, being LIBOR plus a given margin, currently 6 per cent.

Subordinated loan stock £4,500,000

This is repayable by February 2010. Interest is payable quarterly at the bank's annual rate, being LIBOR plus a given margin, currently 9 per cent. Of the 9 per cent., 3 per cent. is capitalised and added to the principal amount outstanding and is payable in February 2010. Capitalised interest at the balance sheet date is £58,555.

7.12 **Provisions for liabilities and charges**

	Deferred taxation £'000
At 1 March 2000	–
Charged to profit and loss account	67
At 28 February 2001	67
Charged to profit and loss account	77
At 1 March 2002	144
Charged to profit and loss account	54
At 28 February 2003	198

7.13 **Deferred taxation**

Deferred taxation provided for in the financial information is set out below:

	2001 £'000	*2002 £'000*	*2003 £'000*
Accelerated capital allowances	67	187	400
Loss relief	–	(43)	(202)
	67	144	198

7.14 **Share capital**

	2001 £'000	*2002 £'000*	*2003 £'000*
Authorised			
100,000,000 Ordinary shares of 1p each	1,000	1,000	–
20,000,000 A Ordinary shares of 1p each	–	–	200
80,000,000 B Ordinary shares of 1p each	–	–	800
	1,000	1,000	1,000
Allotted, called up and fully paid			
28,118,182 Ordinary shares of 1p each	281	281	–
28,118,182 B Ordinary shares of 1p each	–	–	281
	281	281	281

7.15 **Share premium account and reserves**

	Share premium account £'000	*Profit and loss account £'000*
At 1 March 2000	–	181
Retained profit for the year	–	59
Issue of shares	7	–
At 1 March 2001	7	240
Retained profit for the year	–	11
At 1 March 2002	7	251
Retained loss for the year	–	(732)
At 28 February 2003	7	(481)

7.16 **Reconciliation of movements in shareholders' funds**

	2001 £'000	*2002 £'000*	*2003 £'000*
Profit/(loss) for the financial year	59	11	(732)
Issue of shares	18	–	–
Net increase/(decrease) in shareholders' funds	77	11	(732)
Opening shareholders' funds	451	528	539
Closing shareholders' funds	528	539	(193)

7.17 **Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	2001 £'000	*2002 £'000*	*2003 £'000*
Operating profit	160	361	687
Depreciation of tangible assets	48	57	67
Amortisation of intangible assets	209	415	1,400
Profit on disposal of tangible assets	–	(3)	(2)
(Increase)/decrease in stocks	(49)	(240)	(254)
(Increase)/decrease in debtors	248	(142)	(721)
Increase/(decrease) in creditors within one year	(562)	(953)	912
Exchange loss on long term bank loan	–	–	(339)
Net cash inflow/(outflow) from operating activities	54	(505)	1,750

7.18 **Reconciliation of net cash flow to movement in net debt**

	2001 £'000	*2002 £'000*	*2003 £'000*
(Decrease)/increase in cash in the year	(102)	(280)	566
Cash inflow/(outflow) from increase in debt	29	(5,336)	(12,205)
Movement in net debt in the year	(73)	(5,616)	(11,639)
Opening net debt	(81)	(154)	(5,770)
Closing net debt	(154)	(5,770)	(17,409)

7.19 **Analysis of changes in net debt**

	2001 £'000	*2002* £'000	*2003* £'000
Cash at bank and in hand	–	–	206
Bank overdrafts	(80)	(360)	–
Finance leases	(13)	(31)	(53)
	(93)	(391)	153
Debts falling due within one year	–	(715)	(1,915)
Debts falling due after one year	(61)	(4,664)	(15,647)
Net debt	(154)	(5,770)	(17,409)

Debts falling due within one year include non-cash charges in relation to the exchange loss on the Euro loan of £57,007.

Debts falling due after one year include non-cash charges in relation to the exchange loss on the Euro loan of £281,958.

7.20 **Directors' interests in shares**

	Ordinary 'B' shares at 1p	*Ordinary 'B' share options at 2.2p*
J Dawson	20,250,000	–
A R Booley	1,118,182	1,895,818
S A Dawson	6,750,000	–

7.21 **Bank security**

The Alliance Group has security arrangements in the form of group wide cross guarantees in respect of the Bank of Scotland debt.

7.22 **Pensions**

	2001 £'000	*2002* £'000	*2003* £'000
Contributions payable by the Company	38	23	38

Alliance operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of Alliance.

7.23 **Leasing commitments**

At 28 February 2003 the Alliance Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		
	2001 £'000	*2002* £'000	*2003* £'000
Expiry date:			
In over five years	80	42	42

7.24 **Related party transactions**

During the year ended 28 February 2003 Alliance paid Madden Associates Limited £44,340 (2002: £68,880; 2001: £89,327) in respect of consultancy services, a company of which S A Dawson (a.k.a. Sam Madden) is also a director.

7.25 **Ultimate controlling party**

The ultimate controlling parties are J Dawson and his wife S A Dawson (a.k.a. Sam Madden), both directors of Alliance, who respectively owns 72.02 per cent. and 24.01 per cent. of the issued share capital.

7.26 **Acquisitions**

During April 2002 Alliance acquired two brands from Procter and Gamble for a consideration of £2.1 million net of deal costs. In addition, during September 2002 Alliance made a further acquisition from Eli Lilly for a consideration of £9 million net of deal costs.

The following table analyses goodwill and other intangible assets arising from the acquisitions:

	Procter & Gamble £'000	*Eli Lilly £'000*	*Total £'000*
Cash consideration	2,265	9,859	12,124
Technical know how	(1,019)	(7,604)	(8,623)
Trademarks	(934)	(1,132)	(2,066)
Goodwill	312	1,123	1,435

Yours faithfully

GRANT THORNTON

PART V

FINANCIAL INFORMATION ON PEERLESS TECHNOLOGY GROUP PLC

A. Accountants' report on Peerless

The Directors and the Proposed Directors
Peerless Technology Group Plc
Nidderdale House
Otley Road
Beckwith Knowle
HARROGATE
HG3 1SA

Grant Thornton

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
LONDON
EC2V 6LH

28 November 2003

Dear Sirs

PEERLESS TECHNOLOGY GROUP PLC ("THE COMPANY")

1. INTRODUCTION

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 28 November 2003, relating to the proposed acquisition by the Company of Alliance Pharmaceuticals Limited, the Placings and the Open Offer and the application for Admission for trading on the Alternative Investment Market of the London Stock Exchange Plc.

Basis of preparation

The financial information set out below is based on the audited financial statements of Peerless Technology Group Plc for the six months ended 31 December 2001 and the year ended 31 December 2002 and has been prepared on the basis set out below.

Responsibility

Such financial statements are the responsibility of the directors of Peerless Technology Group Plc who approved their issue.

The Directors and the Proposed Directors of Peerless Technology Group Plc are responsible for the contents of the prospectus in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an

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

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

Opinion

In our opinion the financial information gives, for the purposes of the prospectus dated 28 November 2003, a true and fair view of the results and cash flows of the Company for the six months ended 31 December 2001 and the year ended 31 December 2002 and the state of affairs of the Company at 31 December 2001 and 31 December 2002.

Consent

We consent to the inclusion in the prospectus dated 28 November 2003 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. STATUTORY INFORMATION

The Company was incorporated on 26 June 2001 in England and Wales under the Companies Act 1985 as a public company limited by shares with Registered Number 4241478 under the name Striking Media Plc. The Company changed its name on 13 September 2001 to Peerless Technology Group Plc and was admitted to the Alternative Investment Market on 20 November 2001.

3. ACCOUNTING POLICIES

Basis of preparation

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

The principal accounting policies of the Company have remained unchanged across the eighteen month period and are set out below.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provisions are made for impairment where appropriate.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Liquid resources

Liquid resources relate to deposits repayable held at a qualifying financial institution. Deposits are repayable on demand subject to notice of 24 hours or one working day, or per a specific agreement. To be classified in this manner deposits must also be disposable by the reporting entity without curtailing or disrupting its business and are either readily convertible into known amounts of cash at, or close to its carrying amount, or traded in an active market.

4. PROFIT AND LOSS ACCOUNTS

	Note	*26 June 2001 to 31 December 2001 £'000*	*Year ended 31 December 2002 £'000*
Turnover		–	–
Administrative expenses		(44)	(150)
Operating loss		(44)	(150)
Interest receivable and similar income		7	80
Loss on ordinary activities before taxation	7.1	(37)	(70)
Taxation	7.2	–	–
Loss retained and transferred from reserves	7.8	(37)	(70)
Loss per share			
– basic	7.4	(1.01)p	(0.47)p

All transactions arose from continuing operations.

There were no recognised gains or losses other than the losses for the financial periods.

5. BALANCE SHEETS

	Note	*As at 31 December 2001 £'000*	*As at 31 December 2002 £'000*
Current assets			
Debtors	7.5	32	14
Cash at bank and in hand		2,387	2,247
		2,419	2,261
Creditors: amounts falling due within one year	7.6	(112)	(24)
Total assets less current liabilities		2,307	2,237
Capital and reserves			
Called up share capital	7.7	150	150
Share premium account	7.8	2,194	2,194
Profit and loss account	7.8	(37)	(107)
Equity shareholders' funds	7.9	2,307	2,237

6. CASH FLOW STATEMENTS

	Note	*26 June 2001 to 31 December 2001 £'000*	*Year ended 31 December 2002 £'000*
Net cash outflow from operating activities	7.10	–	(238)
Returns on investments and servicing of finance			
Interest received		–	73
Management of liquid resources			
Cash (deposited in)/withdrawn from money market account		(2,382)	140
Financing			
Issue of ordinary share capital		2,418	25
Expenses paid in connection with share issues		(31)	–
Net cash inflow from financing		2,387	25
Increase in cash	7.11	5	–

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	2001 *£'000*	*2002* *£'000*
Auditors' remuneration:		
Audit services	10	10

During the year fees of £nil (2001: £10,000) paid to the Company's auditors in respect of non-audit services were written off to the share premium account.

7.2 Tax on loss on ordinary activities

	2001 *£'000*	*2002* *£'000*
The tax charge is based on the loss for the year and represents:		
Loss on ordinary activities before tax	(37)	(70)
Loss on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	(11)	(21)
Effect of:		
Increase in trading losses	11	21
Current tax charge for the year	–	–

Unrelieved tax losses of approximately £107,000 (2001: £37,000) remain available to offset against future income.

A deferred tax asset of £32,225 arising from losses in the Company has not been recognised (2001: £11,083). These losses may be offset against future income. Although the directors expect sufficient profits to arise, they believe at this stage that it is prudent not to recognise the deferred tax asset within the financial statements.

7.3 Directors and employees

Staff costs, including directors, during the period were as follows:

	2001 *£'000*	*2002* *£'000*
Wages and salaries	8	60
Social security costs	2	7
	10	67

There were no employees of the Company during the period (2001: nil) except for the directors.

Remuneration in respect of directors was as follows:

	2001 *£'000*	*2002* *£'000*
Emoluments	8	60

7.4 **Loss per share**

The calculation of loss per share is based upon the loss for the financial year divided by the weighted average number of ordinary shares in issue during the period as follows:

	2001			*2002*		
	Loss £'000	*Weighted average number of shares*	*Loss per share*	*Loss £'000*	*Weighted average number of shares*	*Loss per share*
Basic loss per share						
Loss attributable to ordinary shareholders	(37)	3,655,690	(1.01)p	(70)	14,962,500	(0.47)p

Share options outstanding at the year ends were non-dilutive.

7.5 **Debtors**

	2001 £'000	*2002 £'000*
Unpaid share capital	25	–
Accrued interest	7	14
	32	14

7.6 **Creditors: amounts falling due within one year**

	2001 £'000	*2002 £'000*
Trade creditors	44	–
Other taxation and social security	2	3
Accruals	37	11
Other creditors	29	10
	112	24

7.7 **Share capital**

	2001 £'000	*2002 £'000*
Authorised		
50,000,000 ordinary shares of £0.01 each	500	500
Allotted, called up and fully paid		
14,962,500 ordinary shares (2001: 14,337,500) ordinary shares of £0.01 each	144	150
Allotted, called up but not paid		
625,000 ordinary shares of £0.01 each	6	–
	150	150

7.8 **Share premium account and reserves**

	Share premium account £'000	*Profit and loss account £'000*
At 1 January 2001	–	–
Premium on allotment of shares less issue costs	2,194	–
Loss for the financial period	–	(37)
At 1 January 2002	2,194	(37)
Loss for the financial year	–	(70)
At 31 December 2002	2,194	(107)

7.9 **Reconciliation of movements in shareholders' funds**

	2001 £'000	*2002 £'000*
Loss for the financial year	(37)	(70)
Issue of shares	2,344	–
Shareholders' funds at 1 January 2002	–	2,307
Shareholders' funds at 31 December 2002	2,307	2,237

7.10 **Net cash outflow from operating activities**

	2001 £'000	*2002 £'000*
Operating loss	(44)	(150)
Increase/(decrease) in creditors	44	(88)
Net cash outflow from operating activities	–	(238)

7.11 **Reconciliation of net cash flow to movement in net funds**

	2001 £'000	*2002 £'000*
Increase in cash in the period	5	–
Cash outflow/(inflow) from increase/(decrease) in liquid resources	2,382	(140)
Movement in net funds in the period	2,387	(140)
Net funds at 1 January 2002	–	2,387
Net funds at 31 December 2002	2,387	2,247

7.12 **Analysis of changes in net funds**

	At 1 January 2002 £'000	*Cash flow £'000*	*At 31 December 2002 £'000*
Cash at bank	5	–	5
Cash in money market account	2,382	(140)	2,242
	2,387	(140)	2,247

7.13 **Capital commitments**

The Company had no capital commitments at 31 December 2002 or 31 December 2001.

7.14 **Contingent liabilities**

There were no contingent liabilities at 31 December 2002 or 31 December 2001.

Yours faithfully

GRANT THORNTON

B. Unaudited interim financial information on Peerless for the six months ended 30 June 2003

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Grant Thornton

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The Directors
Numis Securities Limited
Cheapside House
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EC2V 6LH

28 November 2003

1 INTRODUCTION

The unaudited interim financial information presented below has been extracted without material adjustment from the unaudited management accounts of Peerless Technology Group plc for the six months ended 30 June 2003.

The unaudited management accounts for the six months ended 30 June 2003 have been prepared in accordance with applicable law and the accounting policies normally adopted by Peerless Technology Group plc in the preparation of its statutory accounts.

We consent to the inclusion in the Prospectus dated 28 November 2003 of this report and accept responsibility for this report for the purposes of paragraph 10(b) of Schedule 45(1) of Part VII to the Public Offers of Securities Regulations 1995.

2 BASIS OF PREPARATION

The unaudited interim financial information has been prepared in accordance with applicable law and United Kingdom accounting standards and under the historical cost convention. The principal accounting policies of Peerless Technology Group plc have remained unchanged from those set out in section 3 of the accountants' report on Peerless Technology Group plc as presented in Part V(A) of this document.

3 PROFIT AND LOSS ACCOUNT

	6 months ended 30 June 2003 Unaudited management accounts £'000
Turnover	–
Administrative expenses	(97)
Operating loss	(97)
Interest receivable and similar income	30
Loss on ordinary activities before taxation	(67)
Taxation	–
Loss retained and transferred from reserves	(67)

All transactions arose from continuing operations.

There were no recognised gains or losses other than the loss for the financial period.

4 BALANCE SHEET

	As at 30 June 2003 Unaudited management accounts £'000
Current assets	
Debtors	5
Cash at bank and in hand	2,200
	2,205
Creditors: amounts falling due within one year	(35)
Total assets less current liabilities	2,170
Capital and reserves	
Called up share capital	150
Share premium account	2,194
Profit and loss account	(174)
Equity shareholders' funds	2,170

Yours faithfully,

GRANT THORNTON

PART VI

PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following is an unaudited pro forma statement of net assets of the Enlarged Group, which has been prepared on the basis set out in the notes below. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only to show the effects on the net assets of Peerless of the acquisition of Alliance and its subsidiary undertakings as if the Acquisition, Placings and Open Offer had taken place on 31 December 2002. Because of its nature the pro forma statement of net assets may not give a true picture of the financial position of the Enlarged Group.

	Peerless (Note 1) £'000	*Alliance and its subsidiary undertakings (Note 2)* £'000	*(Note 3)* £'000	*Adjustments (Note 4)* £'000	*(Note 5)* £'000	*Pro forma Enlarged Group* £'000
Fixed assets						
Intangible assets						
Goodwill	–	2,814	–	–	13,526	16,340
Other intangibles	–	14,024	–	–	–	14,024
Tangible assets	–	214	–	–	–	214
	–	17,052	–	–	13,526	30,578
Current assets						
Stocks	–	1,928	–	–	–	1,928
Debtors	14	1,630	–	–	–	1,644
Cash at bank and in hand	2,247	206	(1,649)	5,624	–	6,428
	2,261	3,764	(1,649)	5,624	–	10,000
Creditors: amounts falling due within one year	(24)	(5,136)	–	–	–	(5,160)
Net current assets/ (liabilities)	2,237	(1,372)	(1,649)	5,624	–	4,840
Total assets less current liabilities	2,237	15,680	(1,649)	5,624	13,526	35,418
Creditors: amounts falling due after more than one year	–	(15,675)	–	(4,610)	–	(20,285)
Provisions for liabilities and charges	–	(198)	–	–	–	(198)
Net assets/ (liabilities)	2,237	(193)	(1,649)	1,014	13,526	14,935

Notes

1. Net assets of Peerless at 31 December 2002 as extracted from the accountants' report presented in Part V(a) of this Prospectus.

2. Consolidated net assets of Alliance and its subsidiary undertakings at 28 February 2003 as extracted from the accountants' report presented in Part IV of this Prospectus.

3. Peerless and Alliance will incur costs of c.£1,250,000 and £399,000 respectively in connection with the Acquisition, Placings and Application for Admission to AIM.

4. The gross proceeds of the Placings and Open Offer available to Peerless are expected to be £11,166,000. From these gross proceeds BoS will receive £7,152,000 in respect of capital repayments, associated premium, interest and the acquisition of the BoS Warrant. An additional loan facility of £1,610,000 will be provided by BoS to Alliance for general corporate purposes.

   Net debt levels will be reduced by the capital repayment to BoS totalling £4,500,000 and increased by the £1,610,000 additional loan facility from BoS referred to above and the proceeds of the £7,500,000 Convertible Loan Stock.

5. Goodwill currently estimated to amount to £13,526,000 will be accounted for on consolidation in the books of Peerless in relation to the acquisition of Alliance.

6. This pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

7. No adjustment has been made for changes in working capital or trading since 31 December 2002 for Peerless and 28 February 2003 for Alliance.

The Directors and the Proposed Directors
Peerless Technology Group Plc
Nidderdale House
Beckwith Knowle
Otley Road
HARROGATE
HG3 1SA

Grant Thornton

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
LONDON
EC2V 6LH

28 November 2003

Dear Sirs

PRO FORMA STATEMENT OF NET ASSETS OF PEERLESS TECHNOLOGY GROUP PLC, ALLIANCE PHARMACEUTICALS LIMITED AND SUBSIDIARY UNDERTAKINGS (TOGETHER "THE ENLARGED GROUP")

We report on the pro forma statement of net assets of the Enlarged Group as set out in Part VI of the Prospectus dated 28 November 2003, which has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition of Alliance Pharmaceuticals Limited by Peerless Technology Group plc and placings and open offer might have affected the net assets of Peerless Technology Group plc as at its latest published audited balance sheet date.

Responsibilities

It is the responsibility solely of the Directors and the Proposed Directors of Peerless Technology Group plc to prepare the pro forma statement of net assets.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on the balance sheets used in the compilation of the pro forma financial information beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, 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 Peerless Technology Group plc.

Opinion

In our opinion:

- the pro forma statement of net assets has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Peerless Technology Group plc;
- the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed.

Yours faithfully

GRANT THORNTON

PART VII

PARTICULARS OF THE CONVERTIBLE LOAN STOCK 2013

1. General

1.1 The £7.50 million nominal of 8 per cent. Convertible Unsecured Subordinated Loan Stock 2013 of the Company will be created by a resolution of the Board and, save as mentioned in 1.4 and 1.5 below, will be constituted as an unsecured obligation of the Company by the Trust Deed to be entered into between the Company and the Trustee as trustee for the Stockholders.

1.2 Copies of the draft Trust Deed (subject to modification) will be available for inspection by the public during normal business hours at the registered office for the time being of the Company, which is currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK, for a period of one month and at the offices of Norton Rose, Kempson House, Camomile Street, London, EC3A 7AN, UK until Admission.

1.3 The Trust Deed, which will be executed following the passing of the Resolutions if the Placings and the Open Offer are then wholly unconditional (save for the condition relating to Admission), will contain provisions (*inter alia*) to the effect set out below.

1.4 Subject to the security described in 1.5 below, the Stock will be subordinated in a winding up to the claims of the secured creditors of the Company from time to time (notwithstanding that the net proceeds of realisation of such security was or may be insufficient to extinguish such claims in full).

1.5 Under the Trust Deed, at Completion, the Company will place in an account charged to the Trustee for the benefit of Stockholders an amount equal to two years' gross interest on the Stock as security for the Company's obligations to make payments of principal, premium (if any) and interest on the Stock. The Company will draw upon such monies to meet each interest payment under the Stock as and when it falls due during the first two years after the date of the Trust Deed. Such security shall become enforceable upon the Company failing to pay on the due date any interest due in respect of the Stock or upon the Stock becoming immediately due and repayable pursuant to paragraph 4.2 of this Part VII. The proceeds of any enforcement of such security shall be applied first in or towards payment of the Trustee's (and any receiver's) fees, costs and expenses, secondly in or towards payment of outstanding interest on the Stock and thirdly in or towards payment of the outstanding principal and premium (if any) of the Stock.

1.6 Definitions

1.6.1 "**equity share capital**" means equity share capital as defined in Section 744 of the Act;

1.6.2 "**Further Stock**" means all further unsecured loan stock of the Company issued pursuant to the provisions of paragraph 6 below and constituted by a trust deed supplemental to the Trust Deed;

1.6.3 "**indebtedness for moneys borrowed**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other non-equity securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

1.6.4 "**Ordinary Share Capital**" means Ordinary Share capital of the class in issue on 27 November 2003 and "Ordinary Shareholders" shall be construed accordingly;

1.6.5 "**Principal Subsidiary**" means Alliance Pharmaceuticals Limited;

1.6.6 "**Subsidiary**" means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Act) of the Company.

2. Interest

2.1 Interest at the rate of 8 per cent. per annum (less income tax, where applicable) will be payable on the principal amount of the Stock outstanding from time to time by equal half-yearly instalments on 28 February and 31 August (each an "**interest payment date**") in each year in respect of the half-years ending on those dates respectively, except that the first payment of interest on the Stock, which will be made on 28 February 2004, will be in respect of the period from the date of issue to 28 February 2004 (both dates inclusive).

2.2 All payments in respect of the Stock shall be made without withholding for or deduction of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or in the United Kingdom or any political subdivision thereof or by any authority thereof or therein, unless such withholding or deduction is required by law.

3. Conversion Rights

3.1 Each Stockholder shall (upon and subject to the provisions hereinafter mentioned) have the right (together the "**conversion rights**") to convert the whole or such part (being an integral multiple of £1 nominal and a minimum amount of £5,000 nominal or, if less, the Stockholder's entire holding of Stock) of his Stock as he may specify into Ordinary Share Capital credited as fully paid at the rate (subject to adjustment under paragraph 3.5 of this Part VII) of £4.7619 nominal of Ordinary Share Capital (i.e. presently 476.19 Ordinary Shares of 1p each) for every £100 nominal of Stock converted (the "**conversion rate**").

3.2 Each certificate for Stock which remains capable of being converted shall have endorsed thereon a conversion notice. The conversion rights shall be exercisable by sending to the transfer office of the Company at any time during the period commencing on the date of the Trust Deed and ending on 30 November 2013 (both inclusive) (such period being the "**conversion period**") so that the relevant Exercise Date shall fall on or prior to the last day of the conversion period the relevant Stock certificate(s) with the conversion notice(s) thereon duly completed and signed. The Exercise Date shall be the business day in London immediately following the date of delivery of the relevant conversion notice duly completed and signed together with the relevant Stock certificate(s) and such other documents and/or information as shall be described in the Trust Deed, as described above. The Company shall as at the seventh business day after the relevant Exercise Date (such seventh business day being the "**conversion date**") allot Ordinary Shares in respect of Stock so converted and within ten business days after the relevant conversion date dispatch to the persons entitled thereto certificates for the said Ordinary Shares and (if applicable) separate certificates for any balances of Stock not converted and remittances in respect of any fractional entitlements.

3.3 The new Ordinary Shares issuable upon exercise of the conversion rights attaching to the Stock have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States nor in Canada, Australia, the Republic of Ireland or Japan. The conversion rights attaching to the Stock may not be exercised within the United States or such other jurisdictions and the new Ordinary Shares issuable upon exercise thereof may not be delivered within the United States or such other jurisdictions, unless (in the case of the United States) the new Ordinary Shares are registered under the Securities Act or an exemption from registration is available or (in the case of other such jurisdictions) such exercise and delivery is lawful. Accordingly, each exercise of conversion rights will contain, *inter alia*, a written certification that the person exercising conversion rights is not in the United States or other such jurisdictions and is not exercising conversion rights on behalf of a US person (together with such additional certifications as the Company may deem necessary or advisable from time to time for the purposes of complying with applicable United States securities laws). In lieu of such certification a person exercising conversion rights may (in the case of the United States) deliver a written opinion of counsel in a form acceptable to the Issuer in its absolute discretion to the effect that the new Ordinary Shares issuable upon exercise of conversion rights have been registered under the Securities Act or an exemption from registration is available or (in the case of such other jurisdictions) deliver such written opinion of counsel as the Issuer shall specify or accept (if any) in its absolute discretion. In addition (in the case of the United States), until 40 days after the first day of dealings in the Stock, an offer or sale of the Stock within the United States by any dealer may violate the registration requirements of the Securities Act. As used herein, the term "United States" means the

United States of America, its territories, possessions and all areas subject to its jurisdiction and the term "US person" is as defined in Regulation S under the United States Securities Act of 1933.

3.4 Interest on Stock converted shall be payable up to and including, but shall cease to accrue immediately after, the interest payment date last preceding the relevant conversion date. Ordinary Share Capital allotted on conversion shall be credited as fully paid and shall carry the right to receive all dividends and (unless adjustments shall have been made in respect thereof pursuant to paragraph 3.5 of this Part VII below) all other distributions (including, but not limited to, any allotment referred to in paragraph 3.5 of this Part VII below) declared, paid or made on the Ordinary Share Capital by reference to record dates falling after the relevant conversion date and shall rank *pari passu* in all other respects and form one class with the Ordinary Share Capital in issue on the relevant conversion date.

3.5

3.5.1 Upon any allotment of Ordinary Share Capital pursuant to a capitalisation of profits or reserves (including, without limitation, share premium account and capital redemption reserve) to any Ordinary Shareholders on the register on a record date being a date on which any Stock remains capable of being converted, the nominal amount of Ordinary Share Capital to be allotted in respect of Stock converted on any conversion date following such record date shall be increased in due proportion. No adjustment shall be made to the conversion rate by reason only of a holder of Ordinary Shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid Ordinary Shares by way of capitalisation of an amount standing to the credit of the profit and loss account or revenue reserves equal to the amount of the cash dividend foregone, (a "**scrip dividend**"), **PROVIDED THAT** the market value of the Ordinary Shares issued pursuant to such scrip dividend does not exceed the amount of the cash dividend foregone and so that for this purpose "market value" means the price or value of the Ordinary Shares stated in, or calculated in accordance with the provisions and at the time of, the circular or other document relating to the relevant scrip dividend and used for the purpose of determining the nominal amount of Ordinary Shares to be issued by way of such scrip dividend.

3.5.2 If, whilst any Stock remains capable of being converted, the Company shall make any offer of Ordinary Shares ("**New Shares**") by way of rights to Ordinary Shareholders for which a listing on the Official List or admission to trading on AIM is obtained then, at the option of the Company, **EITHER**:

(a) the conversion rate shall be adjusted with effect on and from the record date for each such offer so that the nominal amount of Ordinary Share Capital thereafter allotted in respect of every £1 nominal of Stock converted shall be increased by an amount (expressed in pence) equal to:

$$\frac{A \times C}{B + C}$$

where:

A equals the nominal amount (expressed in pence) of the New Shares which would have been offered to a holder of £1 nominal of Stock had his conversion rights been exercisable and exercised in full with effect immediately before the record date for such offer at the conversion rate then applicable (such nominal amount to include any fraction of a New Share notwithstanding that under the offer fractional entitlements may not be offered or allotted or may be disregarded);

B equals the price per share (expressed in pence) at which the New Shares are being offered to Ordinary Shareholders; and

C equals the average of the middle market quotations (expressed in pence) derived from the Daily Official List of the London Stock Exchange (or, as the case may be, the AIM

Appendix thereto) for the right to one New Share, nil paid, during the period in which the rights to the New Shares are dealt in on the London Stock Exchange, nil paid; or

(b) the Company shall make, or use its best endeavours to procure that there is made, a like offer at the same time to each Stockholder as if his conversion rights had been exercisable and exercised in full with effect immediately before such record date at the conversion rate then applicable.

3.5.3 All adjustments to the conversion rate shall be rounded upwards if necessary to two decimal places. The Company will forthwith notify the Stockholders in writing in a form previously approved by the Trustee of any increases in the conversion rate pursuant to this paragraph 3.5.

3.6 If any offer (not being an offer falling within paragraph 3.5.2 of this Part VII or 3.9.10 of this Part VII) or invitation is made to Ordinary Shareholders on the register on a record date being a date on which any Stock remains capable of being converted, the Company shall make, or use its best endeavours to procure that there is made, a like offer or invitation at the same time to each Stockholder as if his conversion rights had been exercisable and exercised in full with effect immediately before such record date at the conversion rate then applicable. Except for an offer falling within paragraph 3.5.2 of this Part VII, the Company shall not make, or permit any subsidiary to make, any offer or invitation to the Ordinary Shareholders unless it makes to each Stockholder at the same time a like offer or invitation as referred to in the preceding sentence of this paragraph.

3.7 If any fractions of an Ordinary Share shall fall to be allotted on conversion the Ordinary Shares representing such fractions will not be allotted to the relative converting Stockholders but will be aggregated and sold and the net proceeds of sale will be distributed *pro rata* among the persons entitled thereto, except that, where the entitlement of any such person amounts to less than £2, the amount thereof shall not be distributed but shall be retained for the benefit of the Company.

3.8 The Company will use its best endeavours:

3.8.1 to maintain a quotation for the Stock on AIM and, for so long as any Stock remains capable of being converted, to maintain a like quotation for the Ordinary Share Capital which is fully paid; and

3.8.2 to ensure that during such time as the Ordinary Share Capital is quoted on AIM and/or any other stock exchange all the Ordinary Share Capital allotted on conversion will, upon allotment, be admitted to trading on AIM and/or be listed or quoted on such other stock exchange.

3.9 The Company will covenant with the Trustee in the Trust Deed that so long as any of the Stock remains capable of being converted the following provisions (*inter alia*) shall apply:

3.9.1 the Company shall not:

(a) distribute capital profits (whether realised or not but which shall exclude trading profits) or capital reserves (including any share premium account or capital redemption reserve) or profits or reserves arising after 28 February 2003 from a distribution of capital profits (whether realised or not) or capital reserves (including as aforesaid) by a subsidiary except by means of a capitalisation issue permitted under (b) below or pursuant to any distribution described in paragraph 3.9.12 of this Part VII, and so that for the purposes of this paragraph 3.9.1(a) of this Part VII insofar as the relevant audited accounts do not distinguish between capital and revenue profits or reserves the Company and the Trustee shall be entitled to rely upon a written estimate by the Auditors (as defined in the Trust Deed) as to the extent (if any) to which any part of any profits or reserves should be regarded as capital profits or capital reserves and for this purpose the Auditors shall apply United Kingdom generally accepted accounting principles;

(b) capitalise any profits or reserves other than by way of a capitalisation issue made only to the Ordinary Shareholders in the form of fully paid Ordinary Shares and (if so extended) in like proportions to the holders of any other class of equity share capital of the Company

in the form of fully paid Ordinary Shares or shares of such other class of equity share capital, or for the purposes of a scrip dividend permitted under the second sentence of paragraph 3.5.1 of this Part VII without adjustment to the conversion rate or involving such an adjustment; or

(c) except with the prior written consent of the Trustee or except where an adjustment to the conversion rate is made pursuant to paragraph 3.5.1 of this Part VII make or permit any subsidiary to make any offer or invitation to Ordinary Shareholders of shares or allot any shares in pursuance of a capitalisation issue or make any distribution permitted by paragraph 3.9.12 of this Part VII, in each case during, or by reference to a record date falling within, the conversion period;

3.9.2 save as permitted by paragraphs 3.9.1 or 3.9.3 of this Part VII below, the Company shall not create or permit to be in issue any equity share capital which as regards voting, dividends, other distributions or capital has more favourable rights than those attached to the Ordinary Share Capital and (without prejudice to the right of the Company to consolidate or sub-divide shares or convert shares into stock) it shall not without the prior written consent of the Trustee (such consent not to be unreasonably withheld or delayed) in any way alter the rights attached to all or any part of its share capital in issue from time to time or attach any special rights, privileges or restrictions thereto or convert any issued share or loan capital into equity share capital except in accordance with the terms of issue thereof;

3.9.3 nothing in paragraph 3.9.2 of this Part VII shall prevent the issue of any equity share capital pursuant to any employees' share scheme or any other employees' incentive scheme, including any long term incentive plan;

3.9.4 the Company shall not do any act or thing if, in consequence, the nominal amount of Ordinary Share Capital into which £1 nominal of the Stock would be convertible would exceed £1;

3.9.5 the Company shall not (except as authorised by section 146(2) of the Act or, in respect of redeemable shares or of shares purchased by it as hereinafter mentioned, by sections 159, 160(4) and 162(2) of the Act) (i) reduce its share capital or any uncalled or unpaid liability in respect thereof or (except as authorised by sections 130(2), 160(2) and 170(4) of the Act or with the consent of the Trustee (such consent not to be unreasonably withheld or delayed) in respect of the writing off of accumulated losses against the Company's and/or any subsidiary's share premium account) any amount for the time being standing to the credit of any share premium account or capital redemption reserve or (ii) purchase any of its own shares, unless in the case of any reduction of capital involving repayment of capital or reduction of uncalled liability or purchase of its own shares such adjustment (if any) shall be made to the conversion rate in order to protect the conversion rights as a financial adviser appointed for such purpose by the Company and approved by the Trustee shall determine to be appropriate;

3.9.6

(a) if the Company commences liquidation (whether voluntary or compulsory) it shall forthwith give notice in writing thereof to all Stockholders in a form previously approved in writing by the Trustee and thereupon each Stockholder shall in respect of the whole or any part of his Stock be entitled within six weeks after the service of such notice to elect by notice in writing to the Company to be treated as if a conversion date had occurred on the day immediately preceding the date of such commencement and his conversion rights had been exercisable and exercised in full with effect on that date on the basis (including rate of conversion then applicable) (after making any appropriate adjustments pursuant to paragraph 3.5 of this Part VII) and in that event, subject as hereafter in this paragraph 3.9.6 of this Part VII provided, each Stockholder making such an election shall in lieu of the payments which would otherwise be due in respect of his Stock deemed to have been converted as a result of such election be entitled to participate in the assets available in the liquidation *pari passu* with the Ordinary Shareholders as if he were the holder of the Ordinary Shares (including any fraction of an Ordinary Share) to which he would have

become entitled had that Stock in respect of which he shall have made such an election been converted as aforesaid by virtue of such exercise as at such deemed conversion date. Notwithstanding the foregoing, a Stockholder making such election shall be entitled to receive and retain any payment in respect of the Stock in relation to which he shall have made such election which shall have become due prior to such immediately preceding day as though he had not made such election. For the purpose of determining the assets in which any Stockholder making an election as aforesaid shall be entitled to participate, the provisions of paragraph 3.4 of this Part VII shall be deemed to apply as if such immediately preceding day were a conversion date, provided that if such Stockholder shall receive any payment on the Stock in relation to which he shall have made such an election in respect of interest falling due on the Stock on such immediately preceding day or any day thereafter up to and including the date of service of the aforesaid notice by the Company, he shall be entitled to retain such payment. Subject to this paragraph 3.9.6 of this Part VII the conversion rights shall lapse in the event of the liquidation of the Company;

(b) if the Stock shall become immediately due and repayable in accordance with the provisions of the Trust Deed (for any reason other than the liquidation of the Company) the Company shall forthwith give notice in writing thereof to all Stockholders in a form previously approved by the Trustee and thereupon each Stockholder shall in respect of the whole or any part of his Stock be entitled within six weeks after the service of such notice to exercise his conversion rights (such exercise to be with effect as on the day immediately preceding the date on which the Stock shall have become so due and repayable which day shall be deemed to be a conversion date) on the basis (including rate) of conversion then applicable (after making any appropriate adjustments pursuant to paragraph 3.5 of this Part VII) by completing and signing the conversion notice(s) on his relevant Stock certificate(s) and depositing the same at the transfer office of the Company prior to the expiry of such six weeks;

3.9.7 the Company shall not change the end of its financial period so that it falls otherwise than on 28 February or a day falling within 7 days before or after 28 February in each year unless such modifications (if any) shall be made to the Trust Deed as the Trustee shall reasonably require;

3.9.8 the Company shall keep available for issue sufficient authorised but unissued Ordinary Shares to satisfy in full all rights for the time being outstanding of conversion into and subscription for and other acquisition of Ordinary Shares;

3.9.9 the Company shall send to all Stockholders a copy of every document sent to Ordinary Shareholders at the time the same is sent to Ordinary Shareholders;

3.9.10 if any offer is made to all (or as nearly as may be practicable all) the Ordinary Shareholders (or to all (or as nearly as may be practicable all) such holders other than the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror) to acquire the whole or any part of the Ordinary Share Capital (the "**ordinary offer**") and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror, the Company shall give notice of that fact in writing in a form previously approved by the Trustee to all Stockholders within 14 days of its becoming so aware and unless an offer, proposal, scheme or other arrangement which is on terms as to consideration which are, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the period during which they may be exercised and to the terms of the ordinary offer and any other circumstances which may appear to such financial adviser to be relevant) has already been, or not later than 45 days after the date of such notice is, made or put to all Stockholders then the Company shall forthwith thereafter give further notice in writing of that fact to all Stockholders

in a form previously approved by the Trustee and each Stockholder may, within the period of 30 days after the date of such further notice:

(a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (and so that for this purpose the last day of such period shall be deemed to be a conversion date and the provisions of paragraph 3.4 of this Part VII shall apply accordingly) at the conversion rate applicable on such deemed conversion date (in respect of £1.00 nominal of Stock) multiplied by the average premium paid for £1.00 nominal of Stock over the twelve months up to but excluding the last completed calendar month prior to the date of the notice referred to above (or if the conversion date arises before Stock shall have had quoted prices for twelve months, for all months up to but excluding the last completed calendar month prior to the date of the further notice referred to above), the said premium being calculated for each day for which the London Stock Exchange publishes the Daily Official List falling within such twelve months (or less) as being equal to:

$$\frac{A}{B \times C}$$

where:

(i) A is the average of the highest and lowest quoted prices of £1.00 nominal of Stock for dealings in the Stock on AIM derived from the Daily Official List of the London Stock Exchange for such period;

(ii) B is the average of the highest and lowest quoted prices of an Ordinary Share for dealings on AIM derived from the Daily Official List of the London Stock Exchange for such period; and

(iii) C is the conversion rate expressed as a number of Ordinary Shares per £1.00 nominal of Stock;

Provided that if for any day the premium as so calculated shall be less than one, such day shall be disregarded in calculating the average premium paid for £1 nominal of Stock over the relevant twelve months (or less) and further provided that no adjustment to the conversion rate shall be made pursuant to this sub-paragraph to the extent that, as a result thereof, the aggregate nominal amount of the Ordinary Shares into which the Stock may be converted will exceed the aggregate nominal amount of such Stock; and/or

(b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (excluding Stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of:

(i) the average of the middle market quotations of the Stock for dealings in the Stock on AIM calculated by reference to the Daily Official List of the London Stock Exchange for the 14 consecutive dealing days next following the date of the announcement of the terms of the ordinary offer or, if such terms shall be subsequently revised, the date of the announcement of such revision;

(ii) the value of the Ordinary Shares (including any fraction) into which the Stock required to be redeemed as aforesaid would be converted if the Stockholder were to exercise his conversion rights pursuant to sub-paragraph (a) above in respect of such Stock, such value to be calculated by reference to the average of the middle market quotations of the Ordinary Shares for dealings on AIM for the dealing days specified in (i) above calculated by reference to the Daily Official List of the London Stock Exchange; and

(iii) par.

The amount of such redemption (together with interest on the nominal amount of the Stock so redeemed accrued up to and including the date of redemption) shall be paid on the day next following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a) above.

The publication of a scheme of arrangement under the Act providing for the acquisition by any person of the whole or any part of the Ordinary Share Capital shall be deemed to be the making of an offer;

3.9.11 the Company shall procure that no compromise or arrangement (within the meaning of Section 425 of the Act) affecting the Ordinary Share Capital shall be proposed unless the Stockholders shall be parties to the compromise or arrangement and unless the compromise or arrangement shall be subject to approval by the Stockholders in the manner prescribed by the said Section, provided that these provisions shall not apply (a) if an offer, proposal, scheme or other arrangement which is, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the period during which they may be exercised and to the terms of such compromise or arrangement and any other circumstances which may appear to such financial adviser to be relevant) has already been, or not later than the date on which the document containing particulars of the compromise or arrangement shall first be issued to the parties thereto is, made or put to all Stockholders, (b) if the Trustee shall be of the opinion that implementation of such compromise or arrangement will not be prejudicial to the interests of the Stockholders, or (c) to a scheme or arrangement to which paragraph 3.9.10 or 3.9.12 of this Part VII applies; and

3.9.12 if the Company shall propose any arrangement pursuant to which the Company is to make a distribution of the kind described in section 213(3) of the Income and Corporation Taxes Act 1988 otherwise than by means of (i) an arrangement within the meaning of section 425 of the Act permitted by paragraph 3.9.11 of this Part VII or (ii) an arrangement to which the provisions of such sub-paragraph do not apply by reason of any of the provisos thereto or (iii) an arrangement made or put to all Stockholders which is, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the period during which they may be exercised and to the terms of such first-mentioned proposed arrangement and any other circumstances which may appear to such financial adviser to be relevant), it shall give notice thereof in a form previously approved by the Trustee to all Stockholders not less than 45 days prior to the proposed record date in respect of the entitlement of Ordinary Shareholders to receive the relevant distribution (and/or shares in the company or companies to which any such distribution is to be made) and each Stockholder may, within the period of 30 days after the date of such notice:

(a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (and so that for this purpose the last day of such period shall be deemed to be a conversion date and the provisions of paragraph 3.4 of this Part VII shall apply accordingly) at the conversion rate applicable on such deemed conversion date; and/or

(b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (excluding Stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of:

(i) the average of the middle market quotations of the Stock calculated by reference to the AIM Appendix to the Daily Official List of the London Stock Exchange for the 14 consecutive dealing days next following the date of the said notice from the Company or the date on which the Company shall announce to its members the terms of the first-mentioned proposed arrangement (whichever shall be the earlier);

(ii) the value of the Ordinary Shares (including any fraction) into which the Stock required to be redeemed as aforesaid would be converted if the Stockholder were to exercise his conversion rights pursuant to sub-paragraph (a) above in respect of such Stock, such value to be calculated by reference to the average of the middle market quotations of the Ordinary Shares for dealings on AIM for the dealing days specified in (i) above calculated by reference to the AIM Appendix to the Daily Official List of the London Stock Exchange; and

(iii) par.

The amount of such redemption (together with interest on the nominal amount of the Stock so redeemed accrued up to and including the date of redemption) shall be paid on the day next following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a) above.

3.10 Following the first date as at which, taking into account all conversion rights exercised on that date, 75 per cent. or more in nominal amount of the Stock (which expression for the purpose of this paragraph 3.10 of this Part VII shall include the whole of the original nominal amount of the Stock issued and any Further Stock forming a single series therewith but exclude any of the Stock or such Further Stock purchased by the Company or any subsidiary and cancelled) shall have been converted the Company shall be entitled by not less than 50 nor more than 60 days' notice in writing to all Stockholders in a form previously approved by the Trustee (a "compulsory conversion notice'') given at any time after that date, to convert, on the expiry date of such compulsory conversion notice, the whole (but not part only) of the Stock into Ordinary Share Capital at the conversion rate applicable on such expiry date and in the event of such notice being given as aforesaid the holding of Stock of each Stockholder shall, subject as hereafter in this paragraph 3.10 of this Part VII provided, be automatically converted at such rate on such expiry date (and so that for this purpose such expiry date shall be deemed to be a conversion date and the provisions of this paragraph 3 shall apply accordingly save that if such notice be despatched by the Company on or prior to the second day before an interest payment date and where such notice shall expire after such interest payment date the interest otherwise payable on the Stock on that interest payment date shall be deferred pending the expiry date of such compulsory conversion notice and shall become due only in respect of that part of such Stock in relation to which the right specified in the proviso to this paragraph 3.10 of this Part VII shall be duly exercised), provided that each Stockholder shall have the right by giving written notice to the Company within 30 days after the service of a compulsory conversion notice to require the Company, in lieu of converting, to repay the whole or such part as he may in such notice specify of his Stock at par on the expiry date of the compulsory conversion notice together with interest accrued up to and including such date and in that event the Company shall be bound to repay such Stock together with accrued interest accordingly.

3.11 If by 30 November 2013 the Company shall not have exercised its rights (if any) under paragraph 3.10 of this Part VII, the Trustee may at its absolute discretion and without any responsibility for any loss occasioned thereby, within the period of 21 days following such date, exercise all conversion rights not exercised on or before such date at the conversion rate applicable on the date of exercise and sell for the benefit of the Stockholders entitled thereto the Ordinary Shares allotted on such conversion, provided that the Trustee shall not exercise such conversion rights unless a financial adviser appointed for the purpose by it (acting as an expert and not an arbitrator) shall have stated in writing that in its opinion the exercise of such conversion rights and sale by the Trustee would be in the interests of the Stockholders concerned as a body. The date of exercise of such conversion rights shall be deemed to be a conversion date and the provisions of paragraph 3.4 of this Part VII above shall apply accordingly.

3.12 The Stock shall be known as "8 per cent. Convertible Unsecured Subordinated Loan Stock 2013" so long as any Stock shall remain capable of being converted. Thereafter the word "Convertible'" shall be omitted from the title.

3.13 Stock for the time being unconverted shall pending its conversion be deemed to remain capable of being converted from the date of issue thereof up to and including the last date on which it could be converted or be treated as converted pursuant to any provision of this paragraph 3.

4. Purchase, Events of Default and Redemption

4.1 The Company or any subsidiary may at any time purchase Stock on the London Stock Exchange or on any other recognised stock exchange or by tender (available to all Stockholders alike) or by private treaty, in each case (unless a tender or partial offer is made to all Stockholders on the same basis) at a price (inclusive of accrued interest but exclusive of all costs of purchase) which, if the Stock is then admitted to trading on AIM, shall not exceed the average of the middle market quotations therefor, for dealings on AIM, calculated by reference to the Daily Official List of the London Stock Exchange during the period of 10 dealing days immediately preceding the date of purchase (or, in the case of a purchase by tender, immediately preceding the date of the relevant tender offer) or, in the case of a purchase on AIM, at the market price thereof provided that such market price is not more than 5 per cent. above such first mentioned average, and which, if the Stock is not then so admitted to trading, shall not exceed 105 per cent. of the nominal amount thereof, but not otherwise.

4.2 The Trust Deed will provide that the Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in principal amount of the Stock then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (subject in each case to being indemnified to its satisfaction), give notice to the Company that the Stock is, and it shall accordingly thereupon forthwith become, immediately due and repayable at its principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each an "**Event of Default**"):

4.2.1 if default is made in the payment on the due date of any principal or premium due in respect of the Stock or for a period of ten days in respect of any interest due in respect of the Stock; or

4.2.2 if the Company fails to perform or observe any of its other obligations under the Trust Deed or if any event occurs or any action is taken or fails to be taken which is (or but for the provisions of any applicable law would be) a breach by the Company of any of the covenants contained in the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring the same to be remedied; or

4.2.3 if any indebtedness for moneys borrowed of the Company or any Principal Subsidiary becomes due and repayable prematurely by reason of any event of default (however described) or the Company or any Principal Subsidiary fails to make any payment in respect of any indebtedness for moneys borrowed on the due date for payment or any security given by the Company or any Principal Subsidiary for any indebtedness for moneys borrowed becomes enforceable or if default is made by the Company or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in respect of any indebtedness for moneys borrowed provided that no such event shall constitute an Event of Default unless the relevant indebtedness for money borrowed either alone or when aggregated with other indebtedness for moneys borrowed relative to all (if any) other such events which shall have occurred shall amount to at least £5 million (or its equivalent in any other currency); or

4.2.4 if any order is made by any competent court or resolution passed for the winding up or dissolution of the Company or any Principal Subsidiary, save (in the case of a Principal Subsidiary) for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or

4.2.5 if the Company or any Principal Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business or the Company or any Principal Subsidiary stops or threatens to stop payment of or is unable to, or admits inability to pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

4.2.6 if (a) proceedings are initiated against the Company or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an

application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official or an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Company or any Principal Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them, or any encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment or sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them and (b) in any case (other than the appointment of an administrator) is not discharged within fourteen days; or if the Company or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors);

Provided, in the event of any Event of Default other than those described in sub-paragraphs 4.2.1 and (in the case of a winding up or dissolution of the Company) 4.2.4 of this paragraph, the Trustee shall have certified to the Company that the Event of Default is, in its opinion, materially prejudicial to the interests of the Stockholders.

4.3 All Stock not previously repaid, purchased or converted and in each case cancelled in accordance with any of the foregoing provisions will be redeemed on 31 December 2013 at par together with interest accrued up to and including the date of redemption.

4.4 All Stock repaid, redeemed, purchased or converted in accordance with any of the foregoing provisions shall be cancelled and shall not be re-issued.

4.5 The Company may exercise its rights and powers of repayment, redemption, purchase and compulsory conversion as regards the Stock and any further unsecured loan stock which may be issued pursuant to paragraph 6 of this Part VII below (not being a series which is identical and forms a single series with the Stock) at its sole discretion and without obligation to maintain the ratio between the nominal amounts for the time being outstanding of stock of any series.

5. Restriction on Borrowing

5.1 The Company will procure that, so long as any of the Stock remains outstanding, it will at all times be in compliance with the Article 120 Borrowing Limit (as amended from time to time) and that no amendment shall be made to any of the provisions of the Article 120 Borrowing Limit except with the sanction of an Extraordinary Resolution.

5.2 The certificate or report of the Auditors as to compliance with the Article 120 Borrowing Limit at any time or in respect of any period may, in the absence of manifest or (to the satisfaction of the Trustee) proven error, be relied upon by the Trustee and, if so relied upon, shall be conclusive and binding on the Company and the Stockholders.

6. Issues of Further Unsecured Loan Stock

6.1 Subject to the terms hereof and of the Trust Deed, provision will be made to enable further unsecured loan stock of the Company to be issued either so as to be identical in all respects with (or in all respects save for the first payment of interest thereon) and to form a single series with the Stock or on such terms, including rights as to interest, ranking, conversion, premium, repayment and otherwise as the Directors of the Company may determine.

6.2 Such further unsecured loan stock shall if identical and forming a single series with the Stock and may in any other case with the consent of the Trustee be constituted by a trust deed supplemental to the Trust Deed and shall accordingly, if so constituted, be Further Stock. No additional loan capital of the Company or any subsidiary shall be paid up in whole or in part by way of capitalisation of profits or reserves or be issued by way of collateral security without the Company receiving full value therefor.

7. Modification of Rights

7.1 Stockholders will have power by Extraordinary Resolution or by a written resolution signed by the holders of Stock representing not less than 75 per cent. in principal amount of the Stock then in issue to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. In addition, the Trustee may from time to time without the consent or sanction of the Stockholders (but only if and insofar as in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced thereby) waive or authorise on such terms and subject to such conditions as it shall deem expedient any breach or proposed breach by the Company of any of the covenants or provisions of the Trust Deed, determine that any act or omission which would or might otherwise whether on its own or together with any other act or omission constitute an event of default under the Trust Deed shall not do so or agree to any modification of the Trust Deed. The Trustee may also agree, without such consent or sanction as aforesaid, to any modification of the Trust Deed which is of a formal, minor or technical nature or to correct a manifest or (to the satisfaction of the Trustee) proven error. Provision will be made for convening separate meetings of the holders of the Stock and each series of any Further Stock when the Trustee considers this appropriate.

7.2 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Stockholders as a class and shall not have regard to any interests arising from circumstances particular to individual Stockholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Stockholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Stockholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Stockholders.

8. Trustee's Indemnification, Consents and Reliance

8.1 The Trust Deed will contain provisions for the indemnification of the Trustee and for its relief from responsibility in certain events. Any consent given by the Trustee may be given on such terms and subject to such conditions (if any) as the Trustee may in its absolute discretion think fit and, notwithstanding anything to the contrary in these Particulars contained, may be given retrospectively.

8.2 The Trust Deed will provide that the Trustee may rely on certificates or reports from the Auditors in accordance with the provisions of the Trust Deed whether or not addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and/or the Auditors in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors in respect thereof.

9. Removal, Retirement and Replacement of Trustee

9.1 The Trustee may retire at any time without assigning any reason. The Stockholders may by Extraordinary Resolution remove any trustee or trustees for the time being of the Trust Deed.

9.2 The Company will have the power to appoint a new Trustee but such new Trustee shall be subject to the approval of an Extraordinary Resolution of the Stockholders.

10. Transfer

10.1 The Stock will be registered and transferable in integral multiples of £1 nominal.

10.1 The Trust Deed will contain provisions enabling the Stock to be held and transferred in uncertificated form, and for conversion rights to be exercisable, by means of a relevant system in accordance with the CREST Regulations 1995 and enabling the Company to issue Ordinary Shares in uncertificated form on conversion of any of the Stock. The Trustee may, without the sanction of an Extraordinary Resolution, concur with the Company in making modifications to the provisions of the Trust Deed in

order to reflect changes in the CREST Regulations or in the applicable law and practice relating to the holding or transfer of Stock in uncertificated form and the issue of Ordinary Shares in uncertificated form on conversion of Stock.

11. Registration

The Company shall cause to be kept at its principal place of business of its registrars for the time being or at such other place as the Trustee may agree a register (the "Register") showing the principal amount of the Stock and the date of issue and all subsequent transfers and changes of ownership thereof and the names and addresses of the Stockholders and the persons deriving title under them.

12. Prescription

The rights to payment of interest on and to repayment of principal of the Stock will lapse if the same are unclaimed for a period of 12 years from the due date.

13. Governing law

The Trust Deed will be governed by, and construed in accordance with, the laws of England and Wales.

Note: The Trust Deed will not contain any provision, save as mentioned in paragraph 1 above, precluding the Company and the Subsidiaries from disposing of any of their respective assets or from changing the nature of their respective businesses or, save as mentioned in paragraph 5 above, restricting borrowings.

PART VIII

ADDITIONAL INFORMATION

1 RESPONSIBILITY

1.1 The Directors and the Proposed Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are taking responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Principal Vendors accept responsibility for the information relating to Alliance and the Concert Party contained in this document. To the best of the knowledge and belief of the Principal Vendors, who have taken all reasonable care to ensure that such is the case, the information relating to Alliance and the Concert Party contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY

2.1 The Company was incorporated on 26 June 2001 in England and Wales under the Act as a public company limited by shares with registered number 4241478 under the name Striking Media plc. The Company changed its name on 13 September 2001 to Peerless Technology Group Plc. On 2 November 2001, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.

2.2 The Company's main activity is that of a holding company for companies. The Company's strategy (as amended by a resolution dated 20 June 2003) is to invest in companies and/or businesses in any sector or sectors. The Company currently has no subsidiaries and (other than the proposed Acquisition) no immediate exceptional factors have influenced its activities. No significant investments by the Group are in progress.

2.3 The principal legislation under which the Company operates is the Act and regulations made thereunder.

2.4 The Company's registered office and its principal place of business for the time being is currently in the United Kingdom located at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK.

2.5 The liability of the members of the Company is limited.

3 SHARE CAPITAL

3.1 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two were issued as subscriber shares.

3.2 By a special resolution duly passed by the holders of Ordinary Shares on 31 October 2001;

3.2.1 the Company's authorised share capital was sub-divided into 5,000,000 ordinary shares of 1p each;

3.2.2 the Company's authorised share capital was increased from £50,000 to £500,000 by the creation of an additional 45,000,000 ordinary shares of 1p each;

3.2.3 the subscriber shares, as sub-divided, were transferred to Jeremy Fenn and Steven Harris;

3.2.4 the Company issued for cash at 4 pence per Ordinary Share 3,124,800 Ordinary Shares, to the following persons in the following amounts: Peter Wilkinson 625,000; Rodger Sargent 750,000; Jeremy Fenn 624,900; Steven Harris 187,400; Richard James 625,000; and Ajaz Ahmed 312,500.

3.3 By a special resolution duly passed by the holders of Ordinary Shares on 31 July 2002, the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £500,000 for the period expiring on the fifth anniversary of the passing of the resolution, provided that such authority would allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the resolution had not expired.

3.4 On 20 June 2003 the Directors were given power pursuant to section 95 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) pursuant to the section 80 authority referred to in sub-paragraph 3.3 above as if section 89(1) of the Act did not apply to any such allotment, such power to expire at the next annual general meeting of the Company;

3.5 Save as set out in paragraph 5 of this Part VIII, as at 27 November 2003 (the latest practicable date prior to the publication of this document) no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.6 As at 27 November 2003 the latest practicable date prior to publication of this document, the authorised share capital of the Company was £500,000 comprised of 50,000,000 ordinary shares of 1p each of which 14,962,500 are issued fully paid.

3.7 As at Admission it is expected and intended that the authorised share capital of the Company will comprise 200,000,000 Ordinary Shares of which 110,793,903 will be issued and fully paid or credited as fully paid.

3.8 All Existing Ordinary Shares are, and the New Ordinary Shares will be, in registered form and are or will be eligible for settlement within CREST.

3.9 Other than the issue of the New Ordinary Shares, the issue of Ordinary Shares on the conversion of the Convertible Loan Stock and upon a due exercise of the options referred to in paragraph 8.1 of this Part VIII and the Numis Option Shares, there is no present intention to issue any of the authorised but unissued share capital of the Company.

3.10 The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraph 3.4 above.

3.11 At the date of this document the Company does not have any shareholding in Alliance.

3.12 In order to give effect to the Acquisition and to approve the other elements of the Proposals and the Waiver, the EGM is being convened by the means of the Notice of EGM set out at the end of this document. At the EGM, Shareholders will be asked to consider the Resolutions, which will be proposed as follows, each Resolution being conditional on and subject to the passing of the remaining Resolutions and the Resolutions being conditional on Admission:

(a) to approve the Acquisition in accordance with the Share Purchase Agreements;

(b) to increase the authorised share capital of the Company from £500,000 to £2,000,000 by the creation of 150,000,000 new Ordinary Shares (representing approximately 300 per cent. of the existing issued ordinary share capital of the Company);

(c) to authorise the Directors to allot relevant securities until the fifth anniversary of the passing of such resolution pursuant to section 80 of the Act in connection with the Acquisition, the Placings (including the Ordinary Shares to be allotted on conversion in full of the Convertible Loan Stock), the Open Offer and the Numis Option and for other purposes up to a maximum nominal amount of approximately £1,965,000, representing approximately 1,300 per cent. of the existing issued share capital and approximately 98.25 per cent. of the Enlarged Share Capital of the Company as at 27 November 2003 (the latest practical date prior to the publication of this document);

(d) to approve the Share Option Plan;

(e) to amend the Articles to provide for certain limitations on the authority of the Directors to incur borrowings on behalf of the Company;

(f) to approve the Waiver;

(g) to disapply the statutory pre-emption rights contained in section 89(1) of the Act in connection with the Placings, the Open Offer, the Numis Option, an option proposed to be granted to Navigatorltd Limited and for other purposes up to an aggregate nominal amount of £795,000; and

(h) to change the name of the Company to Alliance Pharma PLC.

3.13 The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions hereafter declared, paid or made in respect of the ordinary share capital of the Company.

3.14 Further details of these Resolutions are set out in the Notice of EGM.

3.15 In accordance with the requirements of the Code, the voting on the resolution referred to in paragraph 3.12(c) will be held on a poll.

4 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

4.1 Memorandum

The Memorandum provides that the Company's principal object is to carry on the business of a general commercial company and, *inter alia*, to act and perform all the functions of a holding company for companies. The objects of the Company are set out in full in clause 4 of its Memorandum which is one of the documents available for inspection at the address specified in paragraph 17 of this Part VIII.

4.2 Articles

The Articles (as to be amended pursuant to the Proposals) contain provisions, *inter alia*, to the following effect:

4.2.1 Voting rights

Subject to any special rights or restrictions as to voting attached to any 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. If a member, in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares, has been duly served by the Company with a notice under section 212 of the Act and fails to supply the Company with the information thereby required within a period of 14 days from the date of service of such notice, he shall not be entitled to attend or vote at a general meeting either personally or by proxy or to receive any dividend or to transfer or agree to transfer any shares or any rights therein (depending on the percentage of any class of shares held by such member).

4.2.2 Variation of rights and changes of capital

(a) If at any time the capital of the Company is divided into different classes of shares the special rights attached to any class of shares may, subject to the provisions of the Act, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of three-quarters in nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings of the Company shall apply with the necessary modifications except that the necessary quorum shall be not less than two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of that class.

(b) 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 and carrying such rights as the resolution may prescribe.

(c) The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled and sub-divide its shares, or any of them, into shares of smaller amounts.

(d) The Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account. The Company may, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase any of its own shares (including redeemable shares).

4.2.3 Transfer of shares

(a) All transfers of shares shall be effected in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be executed by or on behalf of the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members. The Directors may decline to recognise any instrument of transfer unless:

(i) it is duly stamped and deposited at the registered office of the Company accompanied by the certificate for the shares and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, provided that, in the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange, the lodgment of a share certificate will only be necessary if a certificate has been issued in respect of the share in question; and

(ii) the instrument of transfer is in respect of only one class of shares, which are fully paid up and over which the Company has no lien and is in favour of not more than four transferees.

(b) If the Directors refuse to register any transfer of shares, they shall send to the transferee notice of such refusal within two months after the date on which the transfer was lodged with the Company.

4.2.4 Dividends and distribution of assets on liquidation

The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. The Company in general meeting may declare dividends accordingly, but no dividend shall exceed the amount recommended by the Directors. No dividends shall be payable otherwise than in accordance with the Act out of the profits of the Company available for that purpose. If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a special resolution and any other sanction required by the Act, divide amongst the members *in specie* the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division should be carried out as between the members or different classes of members.

4.2.5 Unclaimed dividends

No dividend or other monies payable in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. Any dividend which has remained unclaimed for a period of twelve years from its due date of payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company and belong to the Company absolutely.

4.2.6 Borrowing powers

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

(b) The Article 120 Borrowing Limit provides that the Board shall restrict the borrowings of the Enlarged Group, and shall exercise all voting and other rights and powers of control exercisable by the Company in relation of its subsidiary undertakings, so as to procure (as regards its subsidiary undertakings in so far as it can procure such exercise) that the aggregate principal amount outstanding in respect of moneys borrowed by the Enlarged Group (exclusive of moneys borrowed by one Group company from another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to four times the adjusted total of capital and reserves. For these purposes, the adjusted total of capital and reserves shall be as shown in the Company's then latest published audited consolidated balance sheet, adjusted so as to exclude, *inter alia*, goodwill arising on the acquisition of Alliance by the Company (**"the Alliance Goodwill"**) (but not other goodwill). There is also added back to the adjusted capital and reserves amortisation (other than amortisation in respect of the Alliance Goodwill) which is deducted from the Enlarged Group's balance sheet.

(c) For the purposes of the Article 120 Borrowing Limit, the Convertible Loan Stock shall not be deemed to be a borrowing.

(d) The full text of the proposed new Article is contained in Resolution No. 6.

4.2.7 Directors

(a) Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate directors) shall be not less than two but there shall be no maximum.

(b) Save as mentioned below, a Director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has any interest which is to his knowledge a material interest otherwise than by virtue of his or her interest in shares, debentures or other securities or rights 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 or she is debarred from voting but this shall not apply to a proposal in which he or she has any interest which is not material.

(c) 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 concerning any of the following matters:

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

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

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting in which he is to participate;

(iv) any proposal relating to any other company in which he (together with persons connected with him within the meaning of section 346 of the Act) does not to his knowledge hold an interest (as the term is used in Part VI of the Act) in shares (as that expression is defined for the purposes of Part VI of the Act) in one per cent. or more of any class of the equity share capital of such company or the voting rights in such company;

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

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

(d) Where proposals are under consideration concerning the appointment (including determining or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately. In such case, each of the Directors concerned shall (if not debarred from voting under the Articles) be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(e) If any question shall arise at a meeting as to the right of a Director to vote or to the materiality of a Director's interest, and such question is not resolved by his voluntary agreement to abstain from voting, the question may (subject to the Act) be referred to the chairman of the meeting (or, if the Director concerned is the Chairman of the meeting, to such other Directors present at the meeting) and his ruling in relation to any other Director shall be final and conclusive.

(f) The Directors shall be entitled to receive by way of fees for their services such sum as the Board may from time to time determine. The Directors shall also be entitled to be paid all travelling, hotel, and other expenses properly incurred by them in connection with the business of the Company or in attending meetings of the Directors or any committee of the Directors or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Extra remuneration may be paid out of the funds of the Company by way of salary, commission, participation in profits or otherwise as the Directors may determine to any Director who, by arrangement with the Board, shall perform or render any special duties or services outside the scope of the ordinary duties of a Director and not in his capacity as a holder of employment or executive office.

(g) The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a Director or employee of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or associated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Act, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the aforesaid matters. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under the Articles and shall not be obliged to account for it to the Company.

(h) No person shall be, or shall become, incapable of being appointed a Director by reason of his having attained the age of 70 or any other age.

4.2.8 Pre-emption

The Articles provide that subject to the provisions of the Act and to any relevant authority of the Company in general meeting required by the Act, unissued shares are at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

5 INTERESTS AND DEALINGS

5.1 As at 27 November 2003 (the latest practicable date prior to the publication of this document),

5.1.1 the interests (all of which are beneficial) of the Directors and their immediate families and of persons connected with them (within the meaning of section 346 of the Act) in the share capital of the Company which:

(a) have been notified to the Company pursuant to sections 324 and 328 of the Act; or

(b) are required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act (or which could, with reasonable diligence, be ascertained by the Directors),

are as follows:

Name	*Number of Existing Ordinary Shares*	*Percentage of issued Ordinary Share capital*	*Number of Ordinary Shares under option*
Ajaz Ahmed	312,500	2.09%	-
Jeremy Mark Fenn	936,000	6.26%	62,500[ii]
Richard Mark James	956,000[i]	6.39%[i]	62,500[ii]
Steven Harris	312,500	2.09%	-

(i) 145,000 Ordinary Shares held by Catherine Hick, the wife of Richard James.

(ii) *Inter alia*, the exercise price and the exercise period for these share options are are set out in paragraph 8.1 of this Part VIII.

5.1.2 no Director has dealt for value in the securities of the Company during the 12 months prior to 27 November 2003 (the latest date prior to the publication of this document);

5.1.3 no Director is interested in any relevant securities of any member of the Alliance Group or has dealt for value in any such securities during the 12 months prior to 27 November 2003 (the latest date prior to the publication of this document);

5.1.4 save as disclosed in this paragraph 5, no Director nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, is interested in any share capital of the Company;

5.1.5 irrevocable undertakings to vote in favour of the Resolutions have been given by the Directors as follows:

Name	*Number of Existing Ordinary Shares*
Ajaz Ahmed	312,500
Jeremy Mark Fenn	936,000
Richard Mark James	811,000
Steven Harris	312,500

5.1.6 no member of the Concert Party nor any of the Alliance Directors nor any director of any corporate member of the Concert Party has any interest in the relevant securities of the Company nor has any member of the Concert Party nor any of the Alliance Directors dealt for value in any such securities during the 12 months prior to 27 November 2003 (the latest date prior to the publication of this document);

5.1.7 the interests of the managers of any member of the Alliance Group, including the Alliance Directors, in the relevant securities of Alliance are set out in paragraph 5.1.8 below and no such person has dealt for value in any such securities during the 12 months prior to 27 November 2003 (the latest date prior to the publication of this document) save as mentioned in Note (ii) to paragraph 5.1.8 below;

5.1.8 the relevant securities of Alliance owned or controlled by members of the Concert Party will prior to completion of the Acquisition, be as follows:

Name	*Alliance Shares*	*Percentage of issued and to be issued* Alliance Shares*
John Dawson and Stella Anne Dawson (a.k.a. Sam Madden)[(i), (iii)]	27,000,000	87.38%
Anthony Richard Booley[(ii), (iii)]	3,021,530	9.78%
John Barber[(ii), (iii)]	215,900	0.70%
Claire Buckley[(ii)]	14,530	0.05%
Andrew Dean[(ii), (iii)]	200,000	0.65%
Clare Duguid[(ii)]	4,200	0.01%
Sarah Portlock[(ii)]	5,100	0.02%
Matthew Sardo[(ii)]	6,150	0.02%
Madeleine Elizabeth Scott[(ii), (iii)]	223,550	0.72%
Jacqui Watson[(ii)]	6,820	0.02%
Ann Edmondson[(ii)]	4,670	0.02%

*excludes the warrant over Alliance Shares held by BoS which is being sold in the Acquisition.

(i) John Dawson owns 20,250,000 Alliance Shares and Stella Anne Dawson (a.k.a. Sam Madden) owns 6,750,000 Alliance Shares.

(ii) All of these shares (other than 1,118,182 held by Anthony Richard Booley) will be derived from options which are to be exercised by the shareholder concerned immediately prior to the completion of the Acquisition subject to Admission. The exercise price is 2.2p per Alliance Share.

(iii) Information on Dawson, Madden, Booley, Barber, Dean and Scott is contained in paragraph 6 of Part I. The remaining members of the Concert Party are employees, or ex-employees of Alliance.

5.1.9 the Company has no interest in the relevant securities of any member of the Alliance Group, nor has the Company dealt for value in any such securities during the 12 months prior to 27 November 2003 (the latest practicable date prior to the publication of this document);

5.1.10 Alliance has no interest in the relevant securities of the Company, nor has Alliance dealt for value in any such securities during the last 12 months prior to 27 November 2003 (the latest practicable date prior to the publication of this document); and

5.1.11 neither:

(a) any subsidiary of the Company, nor any pension fund of the Company nor any of its subsidiaries, nor any bank, other than save as disclosed in this document, or other financial or professional adviser of the Company (including stockbrokers other than in their capacity as exempt market-makers), including any person controlling, controlled by or under the same control as any such bank or financial or other professional adviser; nor

(b) any discretionary fund manager (other than an exempt fund manager) connected with the Company;

owns or controls any relevant securities of the Company or of any member of the Alliance Group or has dealt for value in any such securities during the 12 months prior to 27 November 2003 (the latest practical date prior to the publication of this document).

5.2 As at Admission (assuming implementation of the Proposals in full),

5.2.1 the interests (all of which will be beneficial) of the Directors, the Proposed Directors and their immediate families and of persons connected with them (within the meaning of section 346 of the Act) in the share capital of the Company which:

(a) have been notified to the Company pursuant to sections 324 and 328 of the Act; or

(b) are or would, following Admission, be required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act (or which could, with reasonable diligence, be ascertained by the Directors),

will be as follows:

Name	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*	*Number of Ordinary Shares under option*
Directors			
Ajaz Ahmed[(i)]	312,500	0.28%	–
Jeremy Fenn[(i)]	936,000	0.84%	62,500
Richard James[(i), (iii)]	956,000	0.86%	62,500
Steven Harris[(i)]	312,500	0.28%	–
Proposed Directors			
John Dawson and Stella Anne Dawson (a.k.a. Sam Madden)[(ii)]	62,261,402	56.20%	–
Madeleine Elizabeth Scott	527,537	0.48%	–
Anthony Richard Booley	6,710,723	6.06%	–
Paul Ranson	–	–	–

(i) The Directors' holdings take no account of any shares they may acquire under the Open Offer.

(ii) John Dawson will own 46,685,079 Ordinary Shares and Stella Anne Dawson (a.k.a. Sam Madden) will own 15,576,323 Ordinary Shares.

(iii) 145,000 Ordinary Shares held by Catherine Hick, the wife of Richard James.

5.2.2 the relevant securities of the Company which will, following Admission and on the assumption that the Proposals are implemented in full, be owned or controlled by the following persons (who are members of the Concert Party and who, following Admission, are potentially controlling holders of Ordinary Shares) are as follows:

Name	*Number of Ordinary Shares*	*Percentage of undiluted Enlarged Share capital*
John Dawson and Stella Anne Dawson (a.k.a. Sam Madden)[(i)]	62,261,402	56.20%
Anthony Richard Booley	6,710,723	6.06%
Madeleine Elizabeth Scott	527,537	0.48%
John Barber	509,484	0.46%
Andrew Dean	471,963	0.43%
Claire Buckley	34,288	0.03%
Jacqui Watson	16,094	0.01%
Matthew Sardo	14,513	0.01%
Sarah Portlock	12,035	0.01%
Ann Edmonson	10,787	0.01%
Clare Duguid	9,911	0.01%

(i) John Dawson will own 46,685,079 Ordinary Shares and Stella Anne Dawson (a.k.a. Sam Madden) will own 15,576,323 Ordinary Shares.

5.3 Save as set out in this paragraph 5, as at 27 November 2003 (the latest practicable date prior to the publication of this document), the Directors are not aware of any person who is, directly or indirectly, interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company:

Name	*Number of Ordinary Shares before the Acquisition*	*Percentage of issued share capital before the Acquisition*
HSBC Global Custody Nominee (UK) Limited[(i)]	1,150,000	7.7%
BBHISL Nominees Limited	1,125,000	7.5%
Mr P R Wilkinson	885,000	5.9%
Redmayne (Nominees) Limited	866,000	5.8%
Mr R Sargent	750,000	5.0%
Vidacos Nominees Limited	650,000	4.3%
Pershing Keen Nominees Limited	550,000	3.7%

(i) These shares are held in two separate accounts one containing 650,000 Ordinary Shares and the other containing 500,000 Ordinary Shares.

5.4 Other than as set out below, the Directors are not aware of any person who will, immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company:

Name	*Number of Ordinary Shares after Admission*	*Percentage of undiluted Enlarged Share Capital after Admission*
John Dawson and Stella Anne Dawson (a.k.a. Sam Madden)[(i)]	62,261,402	56.20%

(i) John Dawson will own 46,685,079 Ordinary Shares and Stella Anne Dawson (a.k.a. Sam Madden) will own 15,576,323 Ordinary Shares.

5.5 Save as set out in paragraphs 6 and 14 of this Part VIII, no agreement, arrangement or understanding (including any compensation agreement) (or arrangement referred to in Note 6(b) to Rule 8 of the City Code) exists between Alliance or any member of the Concert Party and any of the Directors, recent directors of the Company, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Proposals.

5.6 The Company has not redeemed or purchased any relevant securities of the Company during the 12 months prior to 27 November 2003 (the latest practicable date prior to the publication of this document).

5.7 Alliance has not redeemed or purchased any relevant securities of Alliance during the 12 months prior to 27 November 2003 (the latest practicable date prior to the publication of this document).

5.8 In this paragraph 5:

5.8.1 in relation to a company, "**relevant securities**" means shares in that company and any securities convertible into, rights to subscribe for, options (including traded options) in respect of or derivatives referenced to such shares;

5.8.2 references to an "**arrangement**" include any indemnity or option arrangement and any agreement or undertaking, formal or informal, of whatever nature relating to relevant securities of the Company which may be an inducement to deal or refrain from dealing; and

5.8.3 references to "**interests**" or similar phrases has the meaning set out in Parts VI and X of the Act and related regulations.

6 DIRECTORS' AND PROPOSED DIRECTORS SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

6.1 The Directors have been appointed to the offices set out against their respective names. The service contracts and the letters of appointment summarised below are each dated 8 November 2001, and have not been amended since then save for the termination of the same in relation to Ajaz Ahmed, Jeremy Mark Fenn and Richard Mark James referred to in paragraph 6.1.

Ajaz Ahmed

Ajaz Ahmed (aged 40 years) has a letter of appointment with the Company which provides for him to act as non-executive Chairman of the Company for a fee of £10,000 per annum which may be terminated by either party giving not less than 12 months' notice at any time.

Jeremy Mark Fenn

Jeremy Fenn (aged 40 years) has a service contract with the Company which provides for him to act as managing and finance director of the Company at a salary of £20,000 per annum which may be terminated by either party giving not less than 12 months' notice at any time. Jeremy Fenn works for two days per week (taking account of his position as an executive director of the Company and the Company's acquisition strategy) to fulfil and promote the interests of the Company. The contract provides for a review of its terms, including salary, following the Acquisition by the Company and annually in December each year.

Richard Mark James

Richard James (aged 43 years) has a service contract with the Company which provides for him to act as an executive director of the Company at a salary of £20,000 per annum which may be terminated by either party giving not less than 12 months' notice at any time. Richard James works for two days per week (taking account of his position as an executive director of the Company and the Company's acquisition strategy) to fulfil and promote the interests of the Company. The contract, provides for a review of its terms, including salary, following the first substantial acquisition by the Company and annually in December each year.

Steven Harris

Steven Harris (aged 37 years) has a letter of appointment with the Company which provides for him to act as a non-executive Director of the Company for a fee of £10,000 per annum which may be terminated by either party giving not less than 12 months' notice at any time. Following Completion, Mr Harris will enter into a letter of appointment with the Company providing for him to act as a non-executive director of the Company for a salary of £25,000 per annum plus £5,000 per annum in respect of his functions on the audit committee of the Company plus £5,000 per annum in respect of his functions on the remuneration committee of the Company. Mr Harris' contract will be able to be terminated by either party giving not less than 12 months' written notice at any time.

The Company has served notice of termination, with effect from Admission, on each of Ajaz Ahmed in relation to his letter of appointment, and Jeremy Mark Fenn and Richard Mark James in relation to their service contracts, and has agreed to pay them, in accordance with their contractual periods of notice, £10,000, £20,000 and £20,000 respectively.

6.2 The Proposed Directors will, upon Admission, be appointed to the offices set out against their respective names below:

John Dawson – Chairman and Chief Executive

Anthony Richard Booley – Sales and Marketing Director

Madeleine Elizabeth Scott – Finance Director

Stella Anne Dawson (a.k.a. Sam Madden) – Technical and Regulatory Director

Paul Ranson – Non-executive Director

With effect from Admission, it is proposed that new service contracts will be entered into between each Proposed Director and the Company on substantially the same terms as their existing service contracts with

Alliance, as set out below. Paul Ranson has entered into a letter of appointment with Alliance on the terms set out below.

John Dawson

John Dawson (aged 54 years) has a service contract with Alliance providing for him to act as Chairman and Chief Executive Officer of Alliance at a salary of £109,300 per annum which may be terminated by either party giving not not less than 12 months' notice at any time. Mr Dawson is provided with a car and at the Alliance Board's discretion, is eligible to participate in certain Alliance bonus schemes. Alliance will make such contributions to his pension scheme as it deems appropriate. Mr Dawson's period of continuous employment commenced on 1 April 1997. Mr Dawson works on a full-time basis, for such hours as are required in order to meet the requirements of the business and for the proper performance of his duties. Mr Dawson's salary is subject to annual reviews by the Alliance Board, effective from 1 May each year.

Anthony Richard Booley

Anthony Booley (aged 46 years) has a service contract with Alliance providing for him to act as Sales and Marketing Director of Alliance at a salary of £75,300 per annum which may be terminated by either party giving not not less than 12 months' written notice at any time. Alliance pays contributions to his pension scheme of up to 10 per cent. of his salary. Mr Booley is provided with a car and is eligible to participate in certain of Alliance's bonus schemes. Mr Booley's period of continuous employment with the Company commenced on 18 November 1998. Mr Booley works on a full-time basis and for such hours as are required in order to meet the requirements of the business and for the proper performance of his duties. Mr Booley's salary is subject to annual reviews by the Alliance Board, effective from 1 May each year.

Madeleine Elizabeth Scott

Madeleine Scott (aged 38 years) has a service contract with Alliance providing for her to act as finance director of Alliance at a salary of £62,387 per year (inclusive of a car allowance of £6,387 per year) which may be terminated by either party giving not less than twelve months' written notice at any time. Alliance pays contributions to her pension scheme of up to 10 per cent. of her salary. Ms Scott is eligible to participate in certain of Alliance's bonus schemes. Ms Scott's period of continuous employment with the Company commenced on 10 May 1999. Ms Scott works on a full time basis and for such hours as are required to meet the requirements of the business and for the proper performance of her duties. Ms Scott's salary is subject to annual reviews by the Alliance Board, effective from 1 May each year.

Stella Anne Dawson (a.k.a. Sam Madden)

Stella Dawson (aged 48 years) has a service contract with Alliance providing for her to act as a Technical and Regulatory Director of Alliance at a salary of £14,400 per year which may be terminated by either party giving not less than twelve months' written notice at any time. Ms Dawson is required to work 2 days per month and, in any event, 24 days in any calendar year, plus additional hours without additional remuneration in order to meet the requirements of the business and for the proper performance of her duties. Additionally, Ms Dawson provides services through Madden Associates Limited at the rate of £600 per day. Ms Dawson is eligible to participate in certain of Alliance's bonus schemes. Ms Dawson's continuous employment with Alliance commenced on 10 January 2002. Ms Dawson's salary is subject to annual reviews, effective from 1 May each year.

Paul Ranson

Paul Ranson (aged 50 years) has a letter of appointment from Alliance providing for him to act as a non-executive director of Alliance effective as of 1 September 2003 for a fee of £25,000 per annum. It is intended that this letter will be replaced by a new letter of appointment with the Company as of Admission whereby Mr Ranson will act as a non-executive Director of the Company for the same remuneration. In addition, Mr Ranson will receive £5,000 per annum in respect of his functions on the audit committee of the Company plus £5,000 per annum in respect of the remuneration committee of

the Company. The appointment with the Company will be terminable by either party giving not less than 12 months' written notice at any time. Mr Ranson will be required to work 2 days per month. Mr Ranson already provides professional services to Alliance for which his consulting company, Pharma Law, received aggregate fees of £13,871 in the 12 months preceding the date of this document.

6.3 The aggregate emoluments of the Directors for the period ended 31 December 2002 were £60,000.

6.4 As at 27 November 2003 (the latest practicable date prior to the publication of this document), it is estimated that under the arrangements in force and the proposed arrangements set out in paragraph 6.2 above the aggregate emoluments of the Directors and the Proposed Directors for the 12 month period ending 28 February 2004 will amount to £515,000 assuming Admission.

6.5 Save as disclosed in paragraphs 6.1 and 6.2 there are no existing or proposed service agreements between any Director or any Proposed Director and the Company.

6.6 Save as disclosed in paragraphs 6.1 and 6.2 above no new service agreements have been entered into by the Company with any Directors or Proposed Director and no existing service agreements between the Company and any Director or Proposed Director have been amended or replaced during the 6 months prior to 27 November 2003 (the latest practicable date prior to the date of this document).

6.7 Save as disclosed in paragraphs 6.1 and 6.2 above, the Company has not entered into or agreed to enter into any service agreement with a Director or Proposed Director which has more than 12 months to run.

7 ADDITIONAL INFORMATION ON THE BOARD

7.1 The Board may, from time to time, hold directorships, or otherwise be interested in, other companies operating in similar business sectors to the Company. The Board will put in place procedures to ensure, so far as is practicable, that in the event of any conflict of interest arising, it will be resolved fairly in the interests of the Company and to ensure that the Company can at all times operate independently.

7.2 The directorships held by each of the Directors over the five years preceding the date of this document other than in the Company are as follows:

Name	*Current*	*Past*
Ajaz Ahmed	Zest Media Limited Call Serve Limited Getmedia plc	Mackays Stores Limited
Jeremy Fenn	DJF Associates Limited Getmedia plc Interactive Music Technology plc Onrunning.com Limited Opta Index Limited Planet Football.com Limited Songplayer.com Limited Sports Internet Group Limited Surrey Group Limited The Surrey Golf Company Limited	Cartoon World Limited Caspian Developments Limited (dissolved) Derbifill Limited (in members' voluntary liquidation) Digswell and Daisy Limited (in members' voluntary liquidation) Filmfair Limited (in members' voluntary liquidation) JHA Management Limited (dissolved) John Hockey Associates Limited (dissolved) Juniper Jungle Limited (in members' voluntary liquidation) Leeds Ice Hockey Club Limited (in members' voluntary liquidation) Leeds United Association Football Club Limited (The) Leeds United Financial Services Limited Leeds United Holdings PLC Leeds United PLC Leeds United Promotions Limited Leeds United Publishing Limited Leeds United Travel Company Limited Multimedia Television Productions Limited (dissolved) Perspective Media Limited Public Eye Enterprises Limited (dissolved) Public Eye Personalities Limited (dissolved) Racing World Limited (dissolved) Shoe People Limited (The) (dissolved) Sky Travel & Leisure Club Limited (dissolved) Sport in Question Limited (dissolved) Sports Etail Limited (subject to an administration order) Sportvision Publishing Limited (dissolved) Storm (1989) Limited (in members' voluntary liquidation) Storm Education Limited (in members' voluntary liquidation) Storm Films Limited (dissolved) Storm Group Limited (dissolved) Storm Licensing Limited (dissolved) Storm Music Limited (dissolved) Storm Publishing Limited (dissolved) Storm Television Limited (dissolved) Thompson Media (Holdings) Limited (in members' voluntary liquidation) Winsong Limited (in liquidation)

Name	*Current*	*Past*
Richard James	Bingo Bingo Limited	Cooling Power Holdings Limited
	Digital Impact (UK) Limited	Onrunning.com Limited
	Digital Interactive Studio Centre Limited	Opta Index Limited
		Planetfootball.com Limited
	Digital Interactive Television/ Group Limited	John Roberts Holdings Limited
		Hammond Suddards (Partnership)
	Digital Television Production Company Limited	
	Intechnology plc	
	Interactive Television	
	Infrastructure Company Limited	
	Spring Moss Limited	
	Superstadium Management Company Limited	
	The Gaming Channel Limited	
	The Hull City Association Football Club (Tigers) Limited	
	Allasso France SAS	
	Allasso Limited	
	Avago Games Limited	
	PW Investments Limited	
	V Data Limited	
	Half Technologies Limited	
	Integrated Technology (Europe) Limited	
Steven Harris	Brashfield Management Limited	Evans Vaccines Limited
	Micap plc	PowderJect Vaccines Inc.
		PowderJect Pharmaceuticals plc
		PowderJect Research Limited
		PowderJect Technologies Limited
		PowderJect Technologies Inc.
		EPS Vaccines Limited
		Circassia Limited
		SBL Vaccin AB
		Vitect AB

7.3 The directorships held by each of the Proposed Directors over the five years preceding the date of this document are as follows:

Name	*Current*	*Past*
John Dawson	Alliance Pharmaceuticals Limited	F.B.P. Management Limited
	Alliance Health Limited	
	Alliance Consumer Health Limited	
	Alliance Generics Limited	
	Alliance Pharma Limited	
Anthony Richard Booley	Alliance Pharmaceuticals Limited	None
	Alliance Health Limited	
	Alliance Consumer Health Limited	
	Alliance Generics Limited	
	Alliance Pharma Limited	
Madeleine Elizabeth Scott	Alliance Pharmaceuticals Limited	None
Stella Anne Dawson (a.k.a. Sam Madden)	Alliance Pharmaceuticals Limited	None
	Alliance Health Limited	
	Alliance Consumer Health Limited	
	Alliance Generics Limited	
	Alliance Pharma Limited	
	Madden Associates Limited	
Paul Ranson	None	The Legal Angle Limited (dissolved)

7.4 Save for Richard Mark James' past membership of the Hammond Suddard Partnership referred to in paragraph 7.2 of Part VIII none of the Directors nor any of the Proposed Directors is a partner in a partnership nor has been a partner in any partnerships in the five years preceding the date of this document.

7.5 Jeremy Mark Fenn was an executive director of Sports Etail Limited which was a company jointly owned by Sports Internet Group plc and Hay & Robertsons plc. In the summer of 2000, the BSkyB group acquired Sports Internet Group plc and Jeremy Fenn resigned as a director of Sports Etail Limited in May 2001. Subsequently, Hay & Robertsons plc went into administration causing Sports Etail Limited to become subject to an administration order (on 31 March 2003).

7.6 None of the Directors nor any of the Proposed Directors has:

7.6.1 any unspent convictions in relation to indictable offences;

7.6.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

7.6.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the twelve months after he ceased to be a director of that company;

7.6.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the twelve months after he ceased to be a partner in that partnership;

7.6.5 been the owner of any asset or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the twelve months after he ceased to be a partner in that partnership;

7.6.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

7.6.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7.7 Save as disclosed in paragraph 14 of Part VIII none of the Directors nor any of the Proposed Directors has or has had any interest in any transaction which is or was unusual in its nature or conditional or significant to the business of the Company in the current or immediately preceding financial year or which was effected in an earlier financial year and which remains in any respect outstanding or unperformed.

7.8 There are no outstanding loans granted by the Company to any Director or any Proposed Directors nor any guarantee being provided by the Company for the benefit of any Director or any Proposed Directors.

7.9 Save as disclosed in paragraph 7.10 below, none of the Directors nor any of the Proposed Directors has held a previous name.

7.10 Stella Anne Dawson is also known as Sam Madden. Madeleine Scott's maiden name was Madeleine Dahl.

7.11 The Directors are considering the appropriateness of directors and officers insurance in respect of the Company.

8 EXISTING AND PROPOSED SHARE OPTION ARRANGEMENTS

8.1 Existing Options

8.1.1 Under the subscription and option agreements dated 31 October 2001, Jeremy Fenn and Richard James were each granted by the Company an option (together the "**Options**") to subscribe for 62,500 Ordinary Shares (the "**Option Shares**") (representing in aggregate 0.07 per cent. of the Undiluted Enlarged Share Capital following completion of the Acquisition).

8.1.2 The exercise price for the Option Shares is 20p per Ordinary Share. The number of Option Shares and the option price may be adjusted in the event of a capitalisation, consolidation, rights issue, sub-division or reduction of share capital and certain other alterations of share capital subject to written certification by the Company's auditors that such adjustment is fair and reasonable.

8.1.3 The Options may be exercised in whole or in part at any time during the period between such date which is determined to fall three months after the completion of the first substantial acquisition (being the acquisition of the issued share capital conferring the majority voting interest or majority entitlement to profits of another company or another company's business, in either case being an acquisition whose value is greater than 100 per cent. of the market capitalisation of the Company on the business day immediately prior to the completion of such acquisition) by the Company and the tenth anniversary of their date of grant. The Options will also lapse on the expiry of the period of 12 months following the death of a holder or the expiry of the period of six months of his ceasing to be a director. Rights of exercise will also arise on a change in control of the Company.

8.1.4 Until the Options are exercised, Option holders have no voting rights in respect of the Option Shares. The Option Shares, when issued pursuant to the exercise of the Share Options, will rank *pari passu* in all respects with the Ordinary Shares already then in issue except that they will not rank for any dividend or other distribution declared, paid or made by reference to a record date falling prior to the date of exercise of such Option. The Options are personal and non-transferable.

8.1.5 It is proposed that the options referred to in this paragraph 8.1 will be exercised conditionally upon Admission.

8.2 Share Option Plan

The following is a summary of the main features of the proposed Share Option Plan:

8.2.1 *Constitution*

The Share Option Plan will be constituted by a set of rules and administered under the direction of the Remuneration Committee and will include the ability to grant options ("EMI Options") under the Enterprise Management Incentive Scheme.

8.2.2 *Eligible employees*

(a) All full time directors (being directors of the Company who are required to work at least 25 hours per week) and employees of the Company or of any subsidiaries or jointly owned companies who are eligible in accordance with Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 will be eligible at the invitation of the board of directors.

(b) The Remuneration Committee has an absolute discretion in selecting the persons to whom options over Ordinary Shares are to be granted and (subject to the limits set out below) in determining the number of such options to be granted.

8.2.3 *Grant of options*

(a) Subject to sub-paragraph (b) of this paragraph 8.2.3 of this Part VIII options over Ordinary Shares may only be granted in the period commencing on the day following the

announcement of the interim or final results of the Company for any financial year or part thereof and ending 42 days thereafter.

(b) Subject to sub-paragraphs (c) and (d) of this paragraph 8.2.3 of this Part VIII, options over Ordinary Shares may be granted outside the period specified in sub-paragraph (a) of this paragraph 8.2.3 of this Part VIII if the Board, in its absolute discretion, considers the circumstances sufficiently exceptional to justify the grant of such options.

(c) No option over Ordinary Shares shall be granted to the extent that immediately following such grant (where any securities in the Company are listed on the London Stock Exchange or traded on AIM or Ofex) the number of Ordinary Shares issued, or liable to be issued, pursuant to such option(s) would then exceed the number of shares representing ten per cent. of the issued ordinary share capital of the Company.

(d) No option over Ordinary Shares shall be granted to a director or Applicable Employee (as defined in the AIM Rules) of the Company or the Enlarged Group during a close period (as defined in the AIM Rules).

8.2.4 *Performance targets*

The Board may, acting on the recommendation of the Remuneration Committee, include in any option over Ordinary Shares such objective performance targets and other conditions as it, in its absolute discretion, thinks fit. The Board may, if recommended to do so by the Remuneration Committee, amend or waive these performance targets in whatever way is fair and reasonable to take account of later events, provided that any amended condition is not more difficult to achieve.

8.2.5 *Exercise price*

Such options will entitle the recipient to subscribe for Ordinary Shares at a price determined by the Board and (where necessary) agreed in advance with the Inland Revenue Shares Valuation Division (for shares that are traded on AIM the closing price for the preceding day will normally be used). But in no event shall the price be lower than the nominal value of an Ordinary Share.

8.2.6 *Overall limit on grant of options*

Following Admission, the number of Ordinary Shares over which options may be granted under the Share Option Plan on any date shall be limited so that the total number of Ordinary Shares in respect of which such options may be granted under this scheme and any other executive share option scheme shall not exceed ten per cent. of the issued share capital of the Company from time to time and the total value of shares in respect of which unexercised EMI Options exist will not exceed £3 million.

8.2.7 *Individual limit on grant of options*

The aggregate exercise price payable for the Ordinary Shares over which outstanding EMI Options may be held by any option holder under the Share Option Plan and any other approved scheme of the Company shall not at any time exceed the appropriate legislative limit which is currently £100,000.

8.2.8 *Exercise of options*

(a) Options may be exercised within ten years after their grant. Such options may normally only be exercised if the objective performance condition or conditions to be determined by the Remuneration Committee is or are met.

(b) Earlier exercise is, however, permitted if the option holder dies or leaves the service of the Company through injury, disability, redundancy or retirement or where, in certain circumstances, an option holder ceases to be employed otherwise than for a good cause.

(c) Early exercise may also be permitted in the event of a takeover, reconstruction or voluntary winding-up of the Company.

9 SELLERS AND WARRANTORS

9.1 Details of the persons selling the Alliance Shares in accordance with the terms of the Share Purchase Agreements (and their respective interests in Alliance Shares being sold) together with their respective interests in the share capital of the Company, following the Acquisition and the Vendor Placing, all of which interests are beneficial unless otherwise stated, are set out below:

Name	*Alliance Shares*	*% of Alliance Shares*	*Ordinary Shares after Completion*	*% of Enlarged Share Capital*
John Dawson and Stella Anne Dawson (a.k.a. Sam Madden)	27,000,000	87.38%	62,261,402	56.20%
Anthony Richard Booley [iii]	3,021,530	9.78%	6,710,723	6.06%
Madeleine Elizabeth Scott [iii]	223,550	0.72%	527,537	0.48%
John Barber [iii]	215,900	0.70%	509,484	0.46%
Andrew Dean [iii]	200,000	0.65%	471,963	0.43%
Trevillion Associates Limited [iv]	98,434	0.32%	126,333	0.11%
Jason Cale [iv]	98,434	0.32%	126,333	0.11%
Claire Buckley [iii]	14,530	0.05%	34,288	0.03%
Jacqui Watson [iii]	6,820	0.02%	16,094	0.01%
Matthew Sardo [iii]	6,150	0.02%	14,513	0.01%
Ann Edmondson	4,670	0.02%	10,787	0.01%
Sarah Portlock [iii]	5,100	0.02%	12,035	0.01%
Clare Duguid [iii]	4,200	0.01%	9,911	0.01%

(i) All of the issued Alliance Shares are classified as B ordinary shares.

(ii) The business address of each of the above (except Trevillion Associates Limited and Jason Cale) is c/o Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB, UK.

(iii) The Alliance Shares include shares derived from existing options which are to be exercised conditional upon, *inter alia,* the approval of the Shareholders at the EGM.

(iv) The business address of Trevillion Associates Limited is 36 Pine Grove, London SW19 7HE and that of Jason Cale is 18 Parkhill Road, Hampstead, London NW3 2YN. The Alliance Shares to be acquired by these shareholders derive from the material contract referred to in paragraph 14.2.14 below.

9.2 BoS holds the BoS Warrant which entitles BoS to subscribe for A ordinary shares of 1p each in Alliance equivalent to 12.5 per cent. of the equity in Alliance in certain circumstances. The Acquisition will be deemed to constitute relevant circumstances, and accordingly BoS would be entitled to be issued with Alliance Shares. However, rather than exercising its subscription rights under the BoS Warrant, BoS has agreed, under the Principal Agreement, to sell the BoS Warrant to the Company for £1,333,333.

9.3 **Warrantors under the Share Purchase Agreement**

9.3.1 John Dawson, Stella Anne Dawson (a.k.a. Sam Madden) and Anthony Booley constitute those persons who have given business warranties and indemnities in relation to Alliance in accordance with the terms of the Principal Agreement.

9.3.2 BoS has given limited warranties as to title and related matters in accordance with the terms of the Principal Agreement.

9.3.3 Under the Optionholders Share Purchase Agreement, the Alliance Optionholders (other than BoS) have each given representations and warranties, *inter alia*, as to title.

10 MARKET PRICES

The following table lists the closing middle market quotations for an existing Ordinary Share as derived from the AIM Appendix to the London Stock Exchange Daily Official List at the close of business on the first dealing day for each of the six months preceding the date of this document and on 27 November 2003 being the last practicable date prior to the publication of this document:

Date	*Closing mid market share price*
2 June 2003	18.0p
1 July 2003	19.5p
1 August 2003	19.5p
1 September 2003	19.5p
1 October 2003	18.5p
3 November 2003	20.0p
27 November 2003	20.0p

11 INDEBTEDNESS

11.1 Peerless

At the close of business on 31 October 2003, apart from expenses relating to the Placings, Open Offer, Acquisition and Admission the Company had no borrowings or indebtedness in the nature of borrowings outstanding, including loan capital, term loans outstanding or created but unissued, or any mortgages, charges or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, obligations under finance leases, hire purchase commitments, guarantees, indemnities or other material contingent liabilities.

11.2 Alliance Group

At 31 October 2003 the Alliance Group had indebtedness of £17.1 million.

12 WORKING CAPITAL

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that taking into account available facilities and the net proceeds of the Placings to be received by the Company, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next twelve months from the date hereof.

13 LITIGATION

13.1 In 1999, Alliance entered into an agreement with Bioglan Laboratories Limited ("**Bioglan UK**") and its subsidiaries under which, *inter alia*, Bioglan Laboratories Limited licensed the mark "Naseptin" (the "**Mark**") to Alliance. Following signature of this agreement, Alliance found that Naseptin was registered in the name of Bioglan AB. Following the liquidation of Bioglan UK, Bioglan AB sought to increase the price of contract manufacture of the Naseptin product, which they were providing to Alliance. Alliance resisted and terminated the agreement with Bioglan AB (which provided that the trade mark licence survived termination) and arranged to have the product manufactured by a third party. Bioglan AB claimed trade mark infringement and further claimed that it was not bound by the agreement as the person who signed it on behalf of it did not have its authority to do so. Bioglan AB issued proceedings in the UK High Court which were settled on 6 June 2003 by consent order prior to trial which provided for the payment of £160,000 by Alliance to Bioglan AB in return for the assignment of the Mark, its goodwill, and the UK and Irish marketing authorisations for the Naseptin. The payment has been made and the assignments have taken place.

13.2 Save as referred to in paragraph 13.1 of this Part VIII above, neither the Company nor Alliance nor any of their respective subsidiaries has during the twelve months preceding the date of this document been involved in any legal or arbitration proceedings, nor is either the Company or Alliance aware of any such proceedings which are pending or threatened by or against the Company or Alliance or any of their respective subsidiaries, which are having or may have a significant effect on the Company's or Alliance's financial position.

14 MATERIAL CONTRACTS

14.1 Peerless

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within two years immediately preceding the date of this document (or in the case of the Trust Deed are to be entered into immediately prior to Admission) and are or may be material:

14.1.1 a nominated adviser and broker agreement dated 8 November 2001 (the "**Nominated Adviser Agreement**") between the Company, the Directors and Numis Securities, whereby Numis Securities has agreed to act as the Company's nominated adviser and broker as required by the AIM Rules for a fee of £30,000 per annum (plus VAT). As the Company's nominated adviser, Numis Securities has agreed to provide such advice and guidance to the Directors as to their responsibilities and obligations as the Directors may reasonably request from time to time to ensure compliance by the Company on an on-going basis with the AIM Rules. As the Company's broker, Numis Securities has agreed to provide information to the market and to use its best endeavours to find matching business if there is no market maker in the Company's shares. The Company and the Directors have undertaken to inform and consult Numis Securities in respect of any relevant transactions and dealings in order that Numis Securities may fulfil its responsibilities to the London Stock Exchange as nominated adviser and broker. This agreement is terminable, *inter alia*, by either party on 90 days' notice expiring on or after 24 months from the date of the agreement and contains certain indemnities by the Company and the Directors in favour of Numis Securities;

14.1.2 the Placing and Open Offer Agreement dated 28 November 2003 between the Company, the Directors, the Proposed Directors and Numis Securities under which conditionally, *inter alia*, on the Acquisition becoming unconditional in all respects save in respect of any inter-conditionality with the Placing and Open Offer Agreement and on Admission taking place by 8.00 a.m. on or before 23 December 2003 (or such later time and date as Numis Securities and the Company may agree, being no later than 9.30 a.m. on 5 January 2004), Numis Securities has agreed, *inter alia*, to use its reasonable endeavours to procure subscribers for up to £7.50 million nominal of Convertible Loan Stock and up to 22,914,736 New Issue Shares at the Issue Price subject in the case of 7,481,250 such shares to clawback to satisfy valid applications under the Open Offer. Numis Securities has agreed to subscribe itself as principal for any Convertible Loan Stock and New Issue Shares not taken up under either the Placings and/or the Open Offer. The Placing and Open Offer Agreement contains warranties and indemnities from the Company, the Directors and the Proposed Directors in favour of Numis Securities, together with provisions which enable Numis Securities to terminate the Placing and Open Offer Agreement in certain circumstances prior to Admission, including in circumstances where any warranties are found not to be true or accurate in any material respect and in circumstances of *force majeure*. If Admission takes place, Numis will receive a corporate finance fee of £250,000 (plus any VAT payable thereon) and a commission of 5 per cent. of the value, at the Issue Price, of the New Issue Shares (other than the Vendor Placing Shares) and of the aggregate amount of the Convertible Loan Stock. Except for this fee and commission no commission is payable by the Company to any person in consideration of, or agreeing to procure subscriptions for, or in connection with, such person agreeing to subscribe for New Issue Shares. The Company will meet all fees and expenses associated with the Placings and Admission;

14.1.3 the Principal Agreement dated 28 November 2003 between the Principal Vendors (1), BoS (2), Richard James (3), Jeremy Fenn (4) and the Company (5). Under the terms of the Principal Agreement, the Company has, subject, *inter alia*, to the approval of the Principal Agreement by the Shareholders at the EGM, agreed to acquire the shares in issue in Alliance together with the BoS Warrant but not including those shares to be issued to the Alliance Optionholders and subsequently acquired in accordance with the Optionholder's Share Purchase Agreement. The consideration for this acquisition will be satisfied by, in the case of the Acquisition of Alliance Shares from the Principal Vendors, the issue of 66,353,701 ordinary shares of 1p each in the Company credited as fully paid at the Issue Price and, in the case of the acquisition of the BoS Warrant, by the payment of £1,333,333 in cash to BoS. The Principal Vendors have given certain representations and warranties to the Company about Alliance and its subsidiaries. Jeremy Fenn and Richard James have given certain representations and warranties to the Principal Vendors about the Company. Further details of the Principal Agreement are set out under "**Principal Terms of the Acquisition**" in paragraph 4 of Part I;

14.1.4 the Optionholders Share Purchase Agreement dated 28 November 2003 between the Alliance Optionholders (1), the Company (2) and Alliance (3). Under the terms of the agreement the Company has agreed, subject to the satisfaction of the conditions in the Principal Agreement, to acquire the shares in Alliance to be issued following the exercise of options granted by Alliance. The consideration for this acquisition will be satisfied by the issue of 6,562,966 Ordinary Shares credited as fully paid at the Issue Price;

14.1.5 the lock-in deed dated 28 November 2003 signed by each of the Proposed Directors (other than Paul Ranson who prior to the Acquisition holds, and upon Completion will hold no securities in Alliance nor in the Company) (1), the Company (2) and Numis Securities (3) (the "**Lock-in Deed**"). Under the terms of the Lock-in Deed, such Proposed Directors agree not to dispose of the Consideration Shares allotted to them pursuant to the Acquisition (other than certain such shares agreed to be placed in the Vendor Placing) until the second anniversary of Admission save in the case of the acceptance of a public offer for the Company or the sale of shares to a publicly named potential offeror, the giving of irrevocable undertakings in respect of a public offer for the Company, in accordance with a court order, in the event of a share buy-back by the Company and in the event that the Principal Vendors need to finance liabilities arising out of the Principal Agreement. In addition, so as to maintain an orderly market in the Ordinary Shares, such persons agree that for a period of one year after the expiry of such period, any disposal of their Ordinary Shares shall subject to certain exceptions only be effected through the Company's broker;

14.1.6 an agreement dated 28 November 2003 between Trevillion Associates Limited ("**TAL**") (1), Jason Cale ("**JC**") (2), the Company (3) and Numis Securities (4) whereby, TAL and JC agree that for one year following Admission, any disposal of their Ordinary Shares shall, subject to certain exceptions, only be effected through the Company's broker.

14.1.7 the Controlling Shareholder Agreement entered into between John Dawson (1), Stella Anne Dawson (a.k.a. Sam Madden) (2) and the Company (3) on 28 November 2003 (the "**CSA**"). Under the terms of the CSA (which is conditional on Admission), John Dawson agrees that for so long as he is a shareholder holding over 25 per cent. of the issued Ordinary Shares (a "**Controlling Shareholder**") he will ensure that at all times the Company is capable of carrying on its business independently of his control. John Dawson further agrees that all transactions and relationships between the Company and him and any related person will be at arms' length and on a normal commercial basis and, in particular, John Dawson undertakes that neither John Dawson nor any related person will, by virtue of holding shares in the Company seek to exercise any day to day operational control over the business of the Company or any of its subsidiaries or seek to influence any director, non-executive director or the Board in any way at any Board meeting or otherwise. Moreover, John Dawson undertakes that for so long as he is a Controlling Shareholder neither John Dawson, nor any associate will:

(A) vote at any general meeting of shareholders of the Company on any issue in which John Dawson or any related person is directly or indirectly interested other than by virtue of their holding of shares in the Company; or

(B) vote at any meeting of the Board or be counted in the quorum thereof in relation to the consideration of any matter in which John Dawson or an associate may be interested other than by virtue of their holding of shares in the Company;

14.1.8 the consideration share agreements dated 28 November 2003 between:

(a) Numis Securities (1), certain of the Alliance Shareholders (2) and the Company (3); and

(b) Numis Securities (1), the Excluded Shareholders (2) and the Company (3),

under which conditionally, *inter alia*, on the Acquisition becoming unconditional in all respects save in respect of any inter-conditionality under the Placings and Open Offer Agreement, Numis Securities has agreed, *inter alia*, to procure placees for the Vendor Placing Shares or itself to acquire the same as principal and, in the case of the agreement referred to at (b) above, each Excluded Shareholder agrees that if he/it wishes to sell any of the 126,333 Ordinary Shares held by him/it following Admission in the first year after Admission, he/it will only do so through the Company's broker from time to time;

14.1.9 the option agreement dated 28 November 2003 between the Company (1) and Numis Securities (2) under which, conditional on Admission, the Company irrevocably grants Numis Securities the right to subscribe for 1,384,924 Ordinary Shares at the Issue Price per Ordinary Share. The options may be exercised in whole or in part by Numis after the date of Admission up to midnight on the fifth anniversary of the date of Admission. There is a restriction on the Company not to do anything which would affect the exercise price in so far as it causes the option shares to be issued at a discount, nor to alter the share capital by way of capitalisation of profits or reserves, consolidation, sub-division, reduction of capital or *pro rata* issue of shares by way of a rights issue, bonus issue, open offer or otherwise without agreement between the parties, or failing that, an auditor's determination as to an adjustment to the exercise price to take account of such a variation, nor to allow the authorised, unissued share capital to fall below the amount of Ordinary Shares sufficient to enable the options to be exercised in full under the option agreement.

14.1.10 the draft Trust Deed (subject to modification) as summarised in Part VII.

14.2 Alliance

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Alliance within two years immediately preceding the date of this document (or in the case of the contract referred to in paragraph 14.2.17 is a material contract entered into by Alliance more than two years immediately preceding the date of this document by virtue of it being a related party contract), and are or may be material:

14.2.1 the agreement referred to in paragraph 14.1.4 of this Part VIII;

14.2.2 the consent order referred to in paragraph 13.1 of this Part VIII;

14.2.3 a Republic of Ireland ("**ROI**") marketing authorisation transfer, know how licence and trade mark assignment agreement dated 23 September 2002 between Alliance (1), Eli Lilly and Company Limited (2) and Eli Lilly and Company (3) (either party (2) or (3) being "**Eli Lilly**"). This agreement relates to the Nu-Seals product and is conditional upon the transfer of the ROI and UK marketing authorisations relating thereto by 30 November 2002. It provides that Eli Lilly shall assign the ROI marketing authorisation for that product to Alliance. Eli Lilly also grants Alliance an exclusive licence in perpetuity to use its know how in respect of the product for the purposes of manufacturing and selling the product. The agreement further assigns the "Nu-Seals" mark registered in ROI to Alliance and provides that Eli Lilly shall not compete with

the product in the ROI with Alliance for the period of seven years from the date of the agreement. This agreement may be terminated by any party upon breach by the other not remedied within 30 days or upon the usual events of insolvency;

14.2.4 a UK marketing authorisation transfer, know how licence, trademark assignment and supply agreement dated 23 September 2002 between Alliance (1), Eli Lilly and Company Limited (2) and Eli Lilly (as defined in 14.2.3) (3). This agreement relates to the Nu-Seals product and is conditional upon the transfer of the ROI and UK marketing authorisations relating thereto by 30 November 2002. It provides that Eli Lilly shall assign the UK marketing authorisation for that product to Alliance. Eli Lilly also grants Alliance an exclusive licence in perpetuity to use its know how in respect of the product for the purposes of manufacturing and selling the product. The agreement further assigns the "Nu-Seals" mark registered in ROI to Alliance and provides that Eli Lilly shall not compete with the product in the UK with Alliance for the period of seven years from the date of the agreement. Eli Lilly and Company Limited agrees to supply the product to Alliance upon Eli Lilly's standard conditions of sale and subject to various terms regarding the from in which the product is supplied, promotion, ordering and product recall. This agreement may be terminated by any party upon breach by the other not remedied within 30 days or upon the usual events of insolvency;

14.2.5 an exclusive distribution agreement dated 30 April 1998 between Alliance (1) and Novartis Pharmaceuticals UK Limited ("**Novartis**") (2) under which Novartis appoints Alliance as its exclusive distributor under various trade marks of 16 products in the UK, the Channel Islands and the Isle of Man. By this Agreement Alliance agrees that during its term, it shall not be concerned with the manufacture or distribution of generic equivalents of those products. The agreement is for an initial term of five years and may be terminated upon 2 years' notice thereafter. Alliance has various obligations relating to supply and to transferring the marketing authorisations into its name. Novartis grants Alliance sub-licences to use the trade marks in relation to the products and Novartis has various obligations relating to the manufacture and supply of the products and provision of technical services. Each party provides cross indemnities. This agreement may be terminated by any party upon breach by the other not remedied within 30 days or upon the usual events of insolvency. Alliance must obtain Novartis' consent to a change of control, failing which Novartis may terminate the agreement. Novartis has divested three of the products referred to in this agreement and Alliance has acquired the brands of two others;

14.2.6 an agreement for sale of assets and trade marks dated 19 October 2001 relating to products with the trade names Slow-K and Symmetrel between Alliance (1) and Novartis under which Novartis sells the goodwill, know how, product licences and intellectual property relating to the two products. Novartis provides various indemnities, assurances and warranties. The agreement provides that upon completion there shall be executed various ancillary agreements which have been executed as follows:

(a) a deed of assignment of goodwill dated 19 October 2001 between Alliance (1) and Novartis (2);

(b) a deed of assignment of know how and intellectual property rights dated 18 October 2001 between Alliance (1) and Novartis (2);

(c) a licence and assignment of trade marks of Slow-K and Symmetrel dated 18 October 2001 between Alliance (1) and Novartis (2);

(d) a Contract Manufacturing Agreement for Symmetrel and Slow-K dated 19 October 2001 which duration is two years in the case of Symmetrel and five years in the case of Slow-K and may be terminated upon 6 month's notice thereafter in the case of each such period, and which provides details of specifications, batch sizes and a technical agreement in relation to manufacture;

14.2.7 a marketing authorisation transfer, know how licence, trade mark assignment and supply agreement dated 17 August 2001 for Distamine in the UK and ROI between Alliance (1), Eli Lilly and Company Limited (2) and Eli Lilly (as defined in 14.2.3) (3). This agreement relates to the Distamine product and is conditional upon the transfer of the ROI and UK marketing authorisations relating thereto by 31 December 2002. It provides that Eli Lilly shall assign the UK and ROI marketing authorisation for that product to Alliance in consideration of which Alliance shall pay Eli Lilly a number of lump sum payments upon the happening of certain events. The agreement provides for an exclusive licence in perpetuity to Alliance to use know how in respect of the product for the purpose of maintaining the marketing authorisations. The agreement further assigns the "Distamine" mark registered in ROI and the UK to Alliance. Eli Lilly agrees to supply the product to Alliance until its stocks are exhausted upon terms set out in the agreement regarding supply, ordering and product recall. This agreement may be terminated by any party upon breach by the other not remedied within 30 days or upon the usual events of insolvency;

14.2.8 an asset sale and purchase agreement dated 25 March 2002 of Alphaderm and Aquadrate products between Alliance (1) Procter & Gamble Company (2), Procter & Gamble Pharmaceuticals Inc (3) and Procter & Gamble Pharmaceuticals UK Ltd ("**Procter & Gamble**") (4). This agreement provides for the purchase by Alliance of various national registrations of the marks Alphaderm and Aquadrate, and know how and goodwill relating to those branded products. Each party gives various warranties and indemnities to the other and various conditions have to be fulfilled to oblige the parties to close;

14.2.9 a transitional supply agreement dated 28 March 2002 for the manufacture of Alphaderm and Aquadrate between Alliance (1) and Procter & Gamble (2) that provides for Procter & Gamble to continue manufacturing Alphaderm and Aquadrate in various territories until 31 May 2002;

14.2.10 a quality assurance agreement dated 13 March 2002 for the manufacture of Alphaderm and Aquadrate between Procter & Gamble Pharmaceuticals Germany GmbH ("**Procter & Gamble Germany**") (1) and Laboratoires Chemineau (2). By an agreement of novation dated 25 March 2002 between Procter & Gamble Germany (1), Alliance (2) and Laboratoires Chemineau (3), Alliance assumed the liabilities of Procter & Gamble Germany under this agreement. This agreement sets out the terms upon which Laboratoires Chemineau provides contract manufacture services to Alliance and may be terminated upon 12 months' notice;

14.2.11 an agreement dated 30 April 2003 between Alliance (1) and Genericos Espanoles Laboratorio, S.A. ("GES") (2) for the provision to Alliance of European Registration Dossiers for the purpose of Alliance applying for Marketing Authorisations in the UK for four products, Cefuroxime, Cefotaxime, Ceftriaxone and Ceftazidime. Under the agreement, should Marketing Authorisations be obtained, Alliance shall pay a lump sum and acquire the right to market the products in the UK, exclusively supplied by GES. The agreement is for a period of five years from the obtaining of the Marketing Authorisations, after which it is automatically renewed for additional periods unless notice is served to terminate. In addition, the agreement may be terminated for breach not remedied within 90 days or upon the usual events of insolvency;

14.2.12 banking facility agreements in accordance with the provisions of a common terms agreement dated 23 September 2002 between (amongst other parties) The Governor and Company of The Bank of Scotland (in its various capacities) (1) and Alliance (2) (the "Common Terms Agreement") comprising:

(a) senior loan funding of £12,440,000;

(b) mezzanine loan funding of £2,500,000;

(c) subordinated loan funding of £4,500,000 (the "Subordinated Loan"); and

(d) working capital funding comprising overdraft facilities of £500,000 and business Visa facilities of up to £50,000,

together with a warrant instrument relating to the issue of warrants for the subscription of "A" ordinary shares in the capital of Alliance (the "Warrant").

14.2.13 interest rate swap agreements dated 14 November 2001 and 15 October 2002 between the Company (1) and BoS (2) whereby a proportion of the BoS loans are at fixed rates, as follows:

(i) the LIBOR interest element of term loan A and B was fixed at 5.00 per cent. until October 2007. The current balance of this loan is approximately £4.2 million;

(ii) the LIBOR interest element of term loan C (sterling) was fixed at 4.81 per cent. until November 2005. The current balance of this loan is approximately £1.4 million;

(iii) the EURIBOR interest element of term loan C (Euro) was fixed at 3.85 per cent. until November 2005. The current balance of this loan is approximately £4.3 million.

14.2.14 with effect from completion of the Acquisition, the Common Terms Agreement will be amended and restated and the Subordinated Loan will be repaid, together with repayment premiums of £900,000 (for the Subordinated Loan) and £250,000 (for the mezzanine loan, in advance). The revised banking facilities will all be provided by BoS and will comprise (from the date of the Acquisition):

(i) senior term loan facility of £6,739,367 and €5,972,937 for a term of 5.5 years with quarterly repayments commencing in February 2004 with an interest rate of LIBOR plus 2.5 per cent. in respect of the sterling facility and EURIBOR plus 2.5 per cent. in respect of the Euro facility;

(ii) mezzanine term loan facility of £2,500,000 for a term of 6.25 years with quarterly repayments commencing in May 2009 with an interest rate of LIBOR plus 5 per cent.; and

(iii) working capital facilities of £500,000 for a term of 12 months repayable on demand thereafter with an interest rate of Bank Base Rate plus 2.5 per cent.,

together being the "New Facilities". Peerless is to provide security in relation to the New Facilities by way of guarantee supported by debenture. Alliance and its subsidiary have already provided cross-guarantees, debentures and assignments of keyman insurance to support all their indebtedness to the Bank. A restructuring and arrangement fee of £160,000 in respect of these facilities is payable upon signature and a commitment fee of 0.75 per cent. of any undrawn element of the overdraft is payable quarterly in arrears. Alliance will underwrite the Bank's costs in relation to the facilities.

14.2.15 an agreement dated 28 November 2003 between Trevillion Associates Limited ("TAL") (1), Richard Trevillion (2), Jason Cale ("JC") (3) and Alliance (4) whereby, *inter alia*, Alliance has agreed, subject to Completion, to pay TAL and JC an aggregate amount of £200,000 in consideration of their services in instigating the transaction between Peerless and Alliance, to be satisfied, as to £130,000, by a payment in cash and, as to the balance, by the issue of shares in Alliance (at 2.2p per share) which, on Completion, will convert into 464,572 Consideration Shares.

14.2.16 an exclusive distribution agreement dated 18 November 2003 between Alliance (1) and Barrier Pharmaceuticals Inc (2), under which Barrier grants Alliance the exclusive right to market, promote, distribute, offer for sale and sell Zimycan in UK, Republic of Ireland, Denmark, Finland, Norway and Sweden (the "Territory"). There is a right of first refusal, subject to the superior rights of Johnson & Johnson, to exclusively distribute such other products as Barrier wishes to have distributed in the Territory but which Barrier or its affiliates do not wish to distribute themselves. Such products, if this option is exercised, shall become "Products" and shall be governed by the terms of this agreement. Alliance agree for a period of five years not to develop, market, promote, distribute, offer for sale or sell any product that competes with the Products. Alliance has various obligations relating to promotion and to obtaining marketing authorisations at its own cost and Barrier has various obligations relating to supply and delivery.

There is a scale of prices to be paid by Alliance for the supply of the Products, and two milestone payments; the first upon signature and the second upon the obtaining of the first marketing authorisation for Zimycan in the Territory. If no marketing authorisation is obtained within two years of signature, Alliance will be reimbursed 50 per cent. of the signature fee. Barrier grants Alliance a non-exclusive, royalty-free licence to use various trade marks in relation to the Products. Each party provides cross indemnities and Alliance must maintain insurance at a specified level for any 12 month period. The duration of the agreement is the later of five years or the expiry of the last claim of any patents covering the Products. This agreement may be terminated by either party upon breach by the other not remedied within 90 days or upon the usual events of insolvency or upon a change of control.

14.2.17 Madden Associates Limited

Alliance has entered into a consultancy agreement dated 31 January 2001 with Madden Associates Limited ("**MA**"), a company wholly owned by Stella Anne Dawson (a.k.a. Sam Madden), under which MA provides advice to Alliance on, and prepares, registration documents and provides advice to Alliance on regulatory affairs in return for a fee of £600 per full 8 hour day or otherwise £75 per hour, in each case plus VAT at the current rate (where applicable) plus expenses. This agreement may be terminated by either party upon breach by the other not remedied within 30 days or upon usual events of insolvency.

15 TAXATION

The following paragraphs include advice received by the Directors about the UK tax position of the Shareholders who hold their Ordinary Shares as investments. They are intended only as a general guide and do not constitute advice to the Shareholders on their personal tax position and may not apply to certain classes of investors (such as dealers or insurance companies). Shareholders who are in any doubt as to their tax position, and, in particular, Shareholders who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their professional adviser. This paragraph 15 is based on current legislation and Inland Revenue practice.

15.1 Taxation of Dividends

Under current United Kingdom tax legislation no taxation is withheld at source from dividend payments made by the Company to its Shareholders.

15.1.1 UK Residents

An individual United Kingdom resident shareholder is generally entitled to a notional tax credit in respect of a dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to ⅑th of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the "gross dividend") will be included in the shareholder's income for United Kingdom tax purposes and will be treated as the top slice of the shareholder's income. Thus, a shareholder receiving a dividend of £90 will be treated as having received income of £100, which has a tax credit of £10 attached to it.

An individual United Kingdom resident shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will have no further liability to account for income tax on the dividend.

An individual United Kingdom resident shareholder who, after taking into account the gross dividend, pays income tax at the higher rate will pay tax on the gross dividend at the Schedule F upper rate of 32.5 per cent. against which he can set the tax credit. Such a shareholder will have a liability to account for additional tax equivalent to 25 per cent. of the cash dividend received.

Generally, individual United Kingdom resident shareholders will not be entitled to reclaim the tax credit attaching to any dividends save where the shares are held in a Personal Equity Plan or

Individual Savings Account, when the tax credit can be reclaimed for dividends paid on or before 5 April 2004.

A United Kingdom resident corporate shareholder will not generally be liable to corporation tax on any dividend received. United Kingdom pension funds and charities are generally exempt from tax on dividends which they have received, but are not entitled to claim repayment of the tax credit. Charities may receive some compensation for the loss of the tax credit on dividends paid up to 5 April 2004.

15.1.2 Non-UK Residents

Whether a non-United Kingdom resident shareholder is entitled to repayment of any part of the tax credit in respect of dividends paid to him, will depend upon the provisions of the double tax treaty (if any) between the country in which the shareholder is resident and the United Kingdom. Such a shareholder should be aware that changes to the value of the tax credit which took effect from 6 April 1999, will in general eliminate or reduce the amount that such a shareholder will be able to reclaim.

A non-United Kingdom resident shareholder should consult his own professional advisers on the possible application of such provisions, the procedure for claiming repayment and what relief or credit (if any) may be claimed for such tax credit in the jurisdiction in which he is resident.

15.2 Taxation of Capital Gains

A disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK, may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. A shareholder who is an individual and who is temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst he or she is not resident in the UK.

15.3 Taxation treatment of Stockholders

The paragraphs under this heading are general statements about the normal UK tax treatment of Stockholders. The information given is limited to persons who, in the case of individuals are resident and ordinarily resident in the UK, and in the case of companies are resident in the UK. They do not constitute advice to any investor on his, her, or its, own tax position, and may be inapplicable to certain classes of investor (such as persons carrying on a trade of dealing in shares, or insurance companies).

15.3.1 Taxation of interest

(a) The following assumes that the terms of the Convertible Loan Stock are "reasonably comparable" with the terms of securities which are listed on a recognised stock exchange (which for this purpose does not include AIM).

(b) In the hands of an individual resident and ordinarily resident in the UK, interest from convertible loan stock such as the Convertible Loan Stock is normally chargeable to income tax on an arising basis.

(c) In the hands of a company resident in the UK, interest from convertible loan stock, is chargeable to corporation tax, normally on an accruals basis, but subject to possible aggregation with other loan relationship credits and debits.

(d) The Company will be required to deduct tax at 20 per cent. from interest paid to an individual resident and ordinarily resident in the UK, but will not normally be required to deduct tax from interest paid where it has received evidence satisfactory to it that the person beneficially entitled to such interest is a company resident in the UK, an open ended

investment company incorporated and resident in the United Kingdom, an exempt approved pension fund, an authorised unit trust or a charity.

15.3.2 Taxation on conversion

On conversion of the Convertible Loan Stock into Ordinary Shares, no disposal will normally arise for the purposes of the taxation of chargeable gains. The cost of the Convertible Loan Stock to the Stockholder will normally be treated as the cost of the Ordinary Shares for such purposes.

15.3.3 Taxation on sale or redemption

Any gain or loss realised by an individual may give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains, but where the nominal value of the stock held has exceeded £5,000 at any time in the tax year of sale or the previous tax year, any accrued interest reflected in the sale proceeds is taxed as income. Any gain or loss realised by a UK resident corporate shareholder will give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains, subject to an adjustment for accrued interest taxed as income.

15.4 Stamp duty and stamp duty reserve tax

Except in relation to depository receipt arrangements or clearance services, where special rules apply, under current UK legislation relating to stamp duty and stamp duty reserve tax ("SDRT"), the transfer or conveyance on sale of Ordinary Shares will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 0.5 per cent. of the amount or value of the consideration (with duty rounded up to the nearest £5). A charge to SDRT (generally at the same rate and generally collected through CREST for shares within that system) may arise on any unconditional agreement to transfer such shares although any liability will be cancelled and any SDRT already paid will be repaid, provided that an instrument of transfer is executed and stamp duty is paid on that instrument within six years after the date on which the liability to SDRT arises. SDRT is generally payable by the purchaser except where the purchase is effected through a stockbroker or other financial intermediary, in which case such person will normally account for SDRT and should indicate that this has been done in any contract note issued to the purchaser. Stamp duty is generally payable by the purchaser or transferee. Special rules apply to market makers, intermediaries, broker dealers and certain other persons.

16 GENERAL INFORMATION

16.1 It is estimated that the total expenses payable by the Company in connection with the Proposals will amount to approximately £1.67 million (including VAT). These expenses are payable by the Enlarged Group.

16.2 Grant Thornton of Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP, UK has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its accountants' reports included in Part IV and Part V and its letter included in Part VI and it accepts responsibility for its letter for the purposes of the POS Regulations.

16.3 Numis Securities Limited of Cheapside House, 138 Cheapside, London, EC2V 6LH, UK has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear.

16.4 Navigatorltd Limited of Adam House, 7-10 Adam Street, London, WC2N 6AA, UK has given and not withdrawn its written consent to the inclusion of references to it and its opinion herein in the form and context in which they appear.

16.5 The accounting reference date of the Company is 31 December. Following Admission, it is intended that the accounting reference date of the Company will be changed to 28 February.

16.6 Save as described in paragraph 14.2 above, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the business of the Enlarged Group.

16.7 The documents and announcements published by the Company over the last two years (in consequence of having the Ordinary Shares trading on AIM) are available at the Company's registered office for the time being which is currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate HG3 1SA, UK.

16.8 The Enlarged Group is not currently contemplating any new investments other than possible acquisitions of additional products as described in paragraph 3.8 of Part I, none of which (with the exception of the product referred to in paragraph 3.8.1(d) of Part I) has currently been identified.

16.9 Save as set out in paragraph 14.2.14 of this Part VIII, no person (other than the professional advisers and trade suppliers of the Company, Alliance and the Concert Party or save as disclosed in this document) has in the last 12 months received, directly or indirectly, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company or Alliance to such value or entered into any contractual arrangements to receive the same from the Company or Alliance.

16.10 Save as described in paragraph 14 of Part VIII, no agreement, arrangement or understanding exists whereby the Consideration Shares acquired by the Alliance Shareholders and/or the Excluded Shareholders will be transferred to any other person.

16.11 No Director, Proposed Directors or member of a Director's or Proposed Director's family has an interest in any financial product referenced to the Ordinary Shares, including a contract for difference or a fixed odds bet.

16.12 Save as disclosed in section 3 of Part V there has been no material change in the financial or trading position of the Company since 31 December 2002, the date to which its last audited accounts were prepared.

16.13 Save as set out in paragraph 3 of Part I, there has been no material change in the financial or trading position of Alliance since 28 February 2003, the date to which its last audited accounts were published.

16.14 Details relating to the rights attaching to the Ordinary Shares and the Company's latest published annual report and accounts for the financial year ending 31 December 2002 prepared in accordance with UK GAAP are available on the following website: http://www.buchanan.uk.com/pages/clients/clientaz/p.html.

16.15 The financing of the Acquisition is not dependent to any significant extent on the business of the Company.

16.16 The minimum amount which, in the opinion of the Directors, must be raised under the Placings and the Open Offer to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the POS Regulations is £11.17 million, divided as follows:

(i)	the purchase price of any property:	£ nil
(ii)	preliminary expenses and expenses of the Placings and the Open Offer (including VAT):	£1.67 million
(iii)	repayment of money borrowed in respect of (i) and (ii) above:	£ nil
(iv)	repayment of bank debt (and associated bank fees):	£5.65 million
(v)	working capital:	£3.85 million

16.17 As at the date of this document and unless otherwise stated, neither the Company nor Alliance has any intention to alter the terms and conditions of employment of its respective employees.

16.18 Following Admission, it is intended that the registered office of the Company will be changed to Avonbridge House, Bath Road, Chippenham, Wiltshire SN15 2BB, UK.

17 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by the public during normal business hours on any business day at the Company's registered office for the time being which is currently at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK for a period of one month from the date of this document and at the offices of Norton Rose, Kempson House, Camomile Street, London, EC3A 7AN, UK until Admission:

17.1 the Memorandum and Articles;

17.2 the memorandum and articles of association of Alliance;

17.3 the accountants' report on Alliance included in Part IV;

17.4 the accountants' report on Peerless included in Part V;

17.5 the letter from Grant Thornton on the statement of adjustments on the Accountants' Report on Alliance;

17.6 the letter from Grant Thornton on the pro forma statement of net assets included in Part VI;

17.7 the material contracts referred to in paragraph 14 of this Part VIII;

17.8 the letters of consent referred to in paragraph 16 of this Part VIII;

17.9 the circular sent to the Shareholders dated 23 May 2003;

17.10 the irrevocable commitments to vote in favour of the Resolutions;

17.11 the rules of the Share Option Plan; and

17.12 the audited consolidated accounts of the Company and the Alliance Group for their last two financial years.

Dated: 28 November 2003

Peerless Technology Group Plc

(the "**Company**")

(incorporated and registered with the Registrar of Companies in England and Wales under number 4241478)

NOTICE OF EXTRAORDINARY GENERAL MEETING (the "**Notice**")

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company (the "**EGM**") will be held at the registered office of the Company at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA, UK on 22 December 2003 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (the "**Resolutions**") which will be proposed in the case of Resolutions 4, 5 and 6 each as a special resolution, in the case of Resolution 1 and 2 each as an ordinary resolution and Resolution 3 also as an ordinary resolution but on a poll vote by Independent Shareholders (as defined in the circular to Shareholders dated 28 November 2003 (the "**Circular**")):

ORDINARY RESOLUTIONS

1 **THAT**, conditional upon Resolution 2 being duly passed as an ordinary resolution, Resolution 3 being duly passed as an ordinary resolution on a poll vote by Independent Shareholders (as defined in the Circular (the "**Independent Shareholders**")) and Resolutions 4, 5 and 6 each being duly passed as special resolutions by members of the Company (the "**Shareholders**") and conditional upon and with effect from the Placing and Open Offer Agreement as defined in the Circular (the "**Placing and Open Offer Agreement**") becoming unconditional (save only in respect of the condition therein relating to Admission (as defined in the Circular ("**Admission**")):

(a) the proposed acquisition by the Company of the entire issued and to be issued share capital of Alliance (the "**Acquisition**") and of a warrant, held by the Governor and Company of the Bank of Scotland to subscribe for shares in Alliance on the terms and conditions of the Share Purchase Agreements as defined and described in the Circular be and is hereby approved and the directors of the Company (or a duly constituted committee thereof) (the "**Directors**") be and they are hereby authorised to do all such things as they may consider to be necessary, expedient or appropriate to execute, complete or implement such agreement in accordance with its terms subject to such modifications thereto as they may consider necessary, expedient or appropriate and approve as such (provided that any such modification shall not be a material modification in the context of the Acquisition as a whole);

(b) the authorised share capital of the Company be increased from £500,000 to £2,000,000 by the creation of 150,000,000 new ordinary shares of 1p each ranking *pari passu* in all respects with the existing ordinary shares of 1p each; and

(c) in substitution for all existing and unexercised authorities, pursuant to section 80 of the Companies Act 1985, as amended (the "**Act**"), the Directors be generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) in the capital of the Company up to:

(i) a maximum nominal amount of £750,000 in connection with the Acquisition;

(ii) a maximum nominal amount of £700,000 in connection with the Placings and the Open Offer (each as defined in the Circular) including the ordinary shares of 1p each in the capital of the Company ("**Ordinary Shares**") to be allotted on conversion in full of the Convertible Loan Stock (as defined in the Circular);

(iii) a maximum nominal amount of £15,000 in connection with the Numis Option (as defined in the Circular);

(iv) a maximum nominal amount of £5,000 in connection with the option proposed to be granted to Navigatorltd Limited, as described in the Circular; and

(v) otherwise a maximum nominal amount of £500,000 (representing approximately one third of the issued ordinary share capital of the Company which would be in issue following the allotment and issue of the shares referred to in and pursuant to sub-paragraphs (i), (ii), (iii) and (iv) of this Resolution 1),

provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire five years from the date of passing this Resolution save that the Company may before the expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

2 **THAT**, conditional upon Resolution 1 being duly passed by Shareholders as an ordinary resolution, Resolution 3 being duly passed by Shareholders as an ordinary resolution on a poll vote by Independent Shareholders and Resolutions 4, 5 and 6 each being duly passed by Shareholders as a special resolution, the Alliance Pharma PLC Share Option Plan (the "**Plan**"), a copy of the rules of which having been produced to the EGM and initialled by the Chairman for the purpose of identification, be and they are hereby approved, the Plan be and is hereby adopted and the Directors be and are hereby authorised to do all acts and things necessary to give effect to the Plan; and

(a) the Directors may be counted in the quorum and vote and their votes may be counted on any matter or any Shareholders' or Directors' meeting connected with the Plan notwithstanding that they may be interested in the same (except that no Director may be counted in the quorum or vote on any matter solely concerning his own participation) and the prohibitions in this regard contained in the Articles of Association of the Company (the "**Articles**") be suspended and relaxed to that extent; and

(b) the Directors be authorised to establish such other share option schemes or incentive schemes for the benefit of the employees and executive Directors who are based outside the United Kingdom on such terms as the Directors may consider appropriate to take account of local tax, exchange control or securities laws in overseas territories provided that such other schemes are based upon the Plan and that any shares issued or which might be issued under any such scheme will be subject to and treated as counting against the limitations on individual and overall participation specified in the Plan.

3 **THAT**, conditional on Resolution 1 and Resolution 2 each being duly passed by the Shareholders as an ordinary resolution and Resolutions 4, 5 and 6 each being duly passed by the Shareholders as a special resolution and conditional upon and with effect from the Placing and Open Offer Agreement becoming unconditional (save only in respect of the condition therein relating to Admission), the waiver by the Panel on Takeovers and Mergers of the requirement under Rule 9 of The City Code on Takeovers and Mergers for the Concert Party (as defined in the Circular), individually or collectively, to make a general offer for the ordinary shares in the Company that would otherwise arise by reason of the Concert Party receiving 70,578,739 new ordinary shares representing in aggregate up to 63.7 per cent. of the issued ordinary share capital of the Company as a result of the Acquisition, as described in the paragraph entitled "Waiver of Rule 9 of the City Code" on page 20 of the Circular, be and is hereby approved.

SPECIAL RESOLUTIONS

4 **THAT**, conditional on Resolution 1 and Resolution 2 each being duly passed by the Shareholders as an ordinary resolution, Resolution 3 being duly passed an an ordinary resolution on a poll vote by the Independent Shareholders, Resolutions 5 and 6 each being duly passed by the Shareholders as a special resolution and conditional upon and with effect from the Placing and Open Offer Agreement becoming unconditional (save only for the condition therein relating to Admission), the Directors be and they are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash out of any relevant securities (as defined in Section 80(2) of the Act) which they are from time to time authorised to allot, as if Section 89(l) of the Act did not apply to:

(a) the proposed allotment of 58,629,022 new Ordinary Shares of 1p each in the capital of the Company in connection with the Placings and the Open Offer including the issue of £7,500,000 nominal of Convertible Loan Stock (as defined in the Circular) and the allotment of 35,714,286 new Ordinary Shares on the full conversion of such Convertible Loan Stock, as described in the Circular;

(b) the proposed allotment of 1,384,924 new Ordinary Shares of 1p each in the capital of the Company in connection with the Numis Option granted by the Company to subscribe for Ordinary Shares, as described in the Circular;

(c) the proposed allotment of 500,000 new Ordinary Shares of 1p each in the capital of the Company in connection with the option proposed to be granted to Navigatorltd Limited, as described in the Circular;

(d) in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion as nearly as may be to their respective holdings of such securities or in accordance with the rights attaching thereto (but with such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory, or as regards shares held by an approved depository or in issue in uncertificated form); and

(e) in connection with an issue of equity securities up to an aggregate nominal amount of £75,000,

provided that this authority shall expire on the date five years following the passing of this Resolution and the Company may before such expiry make an offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority hereby conferred had not so expired.

5 **THAT**, conditional on Resolution 1 and Resolution 2 each being duly passed by the Shareholders as an ordinary resolution, Resolution 3 being passed an an ordinary resolution on a poll vote by the Independent Shareholders, Resolutions 4 and 6 each being duly passed by the Shareholders as a special resolution and conditional upon and with effect from the Placing and Offer Agreement becoming unconditional (save only in respect of the condition therein relating to Admission), the name of the Company be changed to Alliance Pharma PLC.

6 **THAT**, conditional on Resolution 1 and Resolution 2 each being duly passed by the Shareholders as an ordinary resolution, Resolution 3 being passed an an ordinary resolution on a poll vote by the Independent Shareholders, Resolutions 4 and 5 each being duly passed by the Shareholders as a special resolution and conditional upon and with effect from the Placing and Offer Agreement becoming unconditional (save only in respect of the condition therein relating to Admission), Article 120 of the articles of association of the Company be amended by replacing the existing Article 120 with the following new Article 120:

"120 Borrowing powers

120.1 Subject as provided in this Article 120, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the provisions of CA 1985, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

120.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to procure (as regards its subsidiary undertakings in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of Indebtedness of the Group

(exclusive of moneys borrowed by one Group company from another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the Adjusted Capital and Reserves.

120.3 For the purposes only of this Article 120:

"**Adjusted Capital and Reserves**" means a sum equal to the aggregate from time to time of:

(a) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company; and

(b) the amount standing to the credit of the reserves, whether or not distributable (including, without limitation, any revaluation reserve, merger reserve, share premium account or capital redemption reserve), after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account;

all as shown in the relevant consolidated balance sheet, but after:

(c) making such adjustments as may be appropriate to reflect:

(i) any variation in the amount of the paid up share capital and the amount standing to the credit of any of such reserves since the date of the relevant balance sheet and so that for the purpose of making such adjustments, if any proposed allotment of shares by the Company for cash has been underwritten, then such shares shall be deemed to have been allotted and the amount (including the premium) of the subscription monies payable in respect thereof (not being monies payable later than six months after the date of allotment) shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, the date on which it became unconditional);

(ii) any variation since the date of the relevant balance sheet of the companies comprising the Group;

(d) adding back all amortisation charged in arriving at the net book value of goodwill on the Group's balance sheet (other than amortisation in respect of the goodwill arising on the acquisition of Alliance Pharmaceuticals Limited by the Company);

(e) excluding (so far as not already excluded):

(i) amounts attributable to the proportion of the issued equity share capital of any subsidiary undertaking which is not attributable, directly or indirectly, to the Company;

(ii) any sum set aside for taxation (other than deferred taxation);

(f) deducting:

(i) sums equivalent to the book value of goodwill arising on the acquisition by the Company of Alliance Pharmaceuticals Limited; and

(ii) the amount of any distribution declared, recommended or made by any Group company to a person other than a Group company out of profits accrued up to and including the date of (and not provided for in) the relevant balance sheet;

120.3.1 "**cash deposited**" means an amount equal to the aggregate of the amounts beneficially owned by Group companies which are deposited for the time being with any bank or other person (not being a Group company) and which are repayable to any Group company on demand or within three months of such demand, subject, in the case of amounts deposited by a partly-owned subsidiary undertaking, to the exclusion of a proportion thereof equal to the proportion of its issued equity share capital which is not attributable, directly or indirectly, to the Company;

120.3.2 "**Group**" means the Company and its subsidiary undertakings from time to time;

120.3.3 "**Group company**" means any company in the Group;

120.3.4 "**Indebtedness**" means loan capital, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments and obligations under finance leases and also includes the following except in so far as otherwise taken into account:

(a) the nominal amount of any issued share capital and the principal amount of any debenture or borrowings of any person, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured on the assets of a Group company;

(b) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house (not being a Group company) other than acceptances and acceptance credits relating to the purchase of goods or services in the ordinary course of trading and outstanding for six months or less;

(c) the principal amount of any debenture (as defined in section 744 of the Act and whether secured or unsecured or given for cash or otherwise) of any Group company owned otherwise than by a Group company;

(d) the principal amount of any preference share capital of any subsidiary undertaking owned otherwise than by a Group company;

(e) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (but any premium payable on final repayment of an amount not to be taken into account as moneys borrowed shall not be taken into account); and

(f) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used in the preparation of the relevant balance sheet (and for the purpose of this sub-paragraph 120.3.5(f) "**finance lease**" means a contract between a lessor and a Group company as lessee or sub-lessee where substantially all the risks and rewards of the ownership of the asset leased or sub-leased are to be borne by that company and "**hire-purchase agreement**" means a contract of hire-purchase between a hire-purchase lender and a Group company as hirer);

but do not include:

(g) the nominal amount of any loan stock or debenture stock which is convertible into shares, whether at the option of any member of the Group or the stockholder, for so long as such loan stock or debenture stock remains so convertible;

(h) moneys borrowed by any Group company for the purpose of repaying, within six months of being first borrowed, the whole or any part of any moneys borrowed and then outstanding (including, without limitation, any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;

(i) moneys borrowed by any Group company for the purpose of financing any contract in respect of which any part of the price receivable under the contract by that or any other Group company is guaranteed or insured up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;

(j) an amount equal to the indebtedness of any company outstanding immediately after it becomes a Group company, provided that it became a Group company during the six months preceding the calculation;

(k) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company, provided that it was acquired during the six months preceding the calculation;

(l) notwithstanding sub-paragraph 120.3.5(a) to 120.3.5(f) above, the proportion of moneys borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable, directly or indirectly, to the Company; and

(m) any sum advanced or paid to any Group company (or its agents or nominees) by customers of any Group company as unexpended customer receipts or progress payments pursuant to any contract between such customer and a Group company;

and in sub-paragraphs 120.3.5(g) to 120.3.5(m) above references to amounts of moneys borrowed include references to amounts which, but for the exclusion under those sub-paragraphs, would fall to be included;

120.3.5 "**relevant balance sheet**" means the latest published audited consolidated balance sheet of the Group but, where the Company has no subsidiary undertakings, it means the balance sheet and profit and loss account of the Company and, where the Company has subsidiary undertakings but there are no consolidated accounts of the Group, it means the respective balance sheets and profit and loss accounts of the companies comprising the Group;

120.3.5 "**subsidiary undertaking**" means a subsidiary undertaking (within the meaning of CA 1985) of the Company (except a subsidiary undertaking which is excluded from consolidation by virtue of the provisions of section 229 CA 1985); and "**Group**" and "**Group company**" and references to any company which becomes a Group company or to companies comprising the Group shall, in such a case, be construed so as to include subsidiary undertakings except a subsidiary undertaking which is excluded from consolidation as aforesaid and "**equity share capital**" shall be construed in relation to a subsidiary undertaking without a share capital in the same manner as "shares" are defined in relation to an undertaking without a share capital under section 259(2)(b) and (c) CA 1985.

120.4 When the aggregate amount of indebtedness required to be taken into account for the purposes of this Article 120 on any particular day is being ascertained, any of such moneys denominated or repayable in a currency other than sterling shall be converted for the purpose of calculating the sterling equivalent either:

120.4.1 at the rate of exchange used for the conversion of that currency in the relevant balance sheet; or

120.4.2 if no rate was so used, at the middle market rate of exchange prevailing at the close of business in London on the date of that balance sheet; or

120.4.3 where the repayment of such moneys is expressly covered by a forward purchase contract, currency option, back-to-back loan, swap or other arrangements taken out and entered into to reduce the risk associated with fluctuations in exchange rates, at the rate of exchange specified in that document;

but if the amount in sterling resulting from conversion at that rate would be greater than that resulting from conversion at the middle market rate prevailing in London at the close of business on the business day immediately preceding the day on which the calculation falls to be made, the latter rate shall apply instead.

120.5 A report or certificate of the Auditors as to the amount of the Adjusted Capital and Reserves or the amount of moneys borrowed falling to be taken into account for the purposes of this Article 120 or to the effect that the limit imposed by this Article 120 has not been or will not be exceeded at any particular time or times or as a result of any particular transaction or transactions shall be conclusive evidence of the amount or of that fact.

120.6 No debt incurred or security given in respect of indebtedness borrowed in excess of the limit imposed by this Article 120 shall be invalid or ineffectual, except in the case of express notice to the lender or recipient of the security at the time when the debt was incurred or security given that the limit had been or would thereby by exceeded, but no lender or other person dealing with the Company shall be concerned to see or enquire whether such limit is observed."

Dated 28 November 2003

Registered Office

Nidderdale House
Beckwith Knowle
Otley Road
Harrogate
HG3 1SA
UK

By order of the Board

Richard James
Company Secretary

Notes:

1 A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend (and on a poll) vote in his stead. Any person (whether a Shareholder or not) may be appointed to act as a proxy.

2 If a proxy is appointed for use at the EGM, the form of proxy as issued by the Board must be used. This form of proxy is enclosed herewith reply-paid. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, must be deposited at the Company's registrars at the following address at least 48 hours before the time for holding the EGM (i.e., by no later than 11.00 a.m. on 20 December 2003) or any adjournment thereof: Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, UK.

3 Completion and return of a form of proxy will not preclude a Shareholder from attending and voting at the EGM in person in respect of which the proxy is appointed (or at any adjournment of the EGM) if such Shareholder subsequently decides to do so.

4 In the case of a corporation, a proxy should be given under its common seal or should be signed on its behalf by an attorney or officer so authorised or in accordance with the provisions of Section 36A of the Companies Act 1985 (if applicable).

5 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holdings.

6 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company at 11.00 a.m. on 20 December 2003 (or, if the EGM is adjourned, in the register of members of the Company 48 hours before the time of any adjourned EGM) shall be entitled to attend and vote at the EGM in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the EGM.

7 Resolution 3 of this EGM will be taken on a poll and only Independent Shareholders (as defined in the Circular) will be entitled to vote thereon in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of The City Code on Takeovers and Mergers.