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APPLICATION HAS BEEN MADE FOR THE ORDINARY SHARE CAPITAL OF ELECTROPHORETICS INTERNATIONAL PLC TO BE ADMITTED TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET OF THE LONDON STOCK EXCHANGE ("AIM"). IT IS EMPHASISED THAT NO APPLICATION IS BEING MADE FOR ADMISSION OF THESE SECURITIES TO THE OFFICIAL LIST, NOR IS APPLICATION BEING MADE IN RESPECT OF THE OTHER CLASSES OF SHARE CAPITAL OF ELECTROPHORETICS INTERNATIONAL PLC.

AIM IS A MARKET DESIGNED PRIMARILY FOR EMERGING OR SMALLER COMPANIES. THE RULES OF THIS MARKET ARE LESS DEMANDING THAN THOSE OF THE OFFICIAL LIST. THE LONDON STOCK EXCHANGE HAS NOT ITSELF EXAMINED THIS DOCUMENT.

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Electrophoretics International plc

(Registered in England No. 2879724)

Admission to AIM

SHARE CAPITAL					
<i>Authorised</i>			<i>Issued and fully paid</i>		
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>	
80,000,200	£800,002	Ordinary Shares of 1p each	64,675,244	£646,752.44	
49,998	£49,998	Redeemable Ordinary Shares of £1 each	—	—	
1,063,822	£1,063,822	3.75% Redeemable Preference Shares of £1 each (voting)	662,941	£662,941	
786,178	£786,178	3.75% Redeemable Preference Shares of £1 each (non-voting)	786,178	£786,178	

Details of the Group's cash balances and indebtedness at the close of business on 31st August, 1995 are given in Part II of this document.

This document should be read in conjunction with the audited report and accounts of Electrophoretics International plc and its subsidiary undertakings for the eleven month period ended 7th November, 1994, which form part of this document.

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Copies of this document and the Report and Accounts for the period ended 7th November, 1994, which form part of this document, are available free of charge during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until the date falling 14 days from the date of admission to trading on AIM, at the offices of Panmure Gordon & Co. Limited at New Broad Street House, 35 New Broad Street, London EC2M 1NH.

DEFINITIONS

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

"Act"	the Companies Act 1985 (as amended)
"AIM"	the Alternative Investment Market of the London Stock Exchange
"CRADA"	the Co-operative Research and Development Agreement, a research agreement between the NIMH and MII
"CSP"	chronic spinal pain
"Directors" or "Board"	the directors of the Company whose names appear on page 4 of this document
"EI" or "the Company"	Electrophoretics International plc
"Group"	the Company and its subsidiaries
"London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Monoclonetics" or "MI"	Monoclonetics International, Inc, a Texas corporation and a wholly-owned subsidiary of EI
"the NIH"	the National Institute of Health of the United States. The NIH is an agency of the Public Health Service of the US Government
"the NIMH"	the National Institute of Mental Health of the United States, one of the oldest institutes which make up the NIH
"Ordinary Shares"	Ordinary shares of 1p each in the capital of the Company
"Panmure Gordon"	Panmure Gordon & Co. Limited
"PND"	peripheral nerve damage
"Report and Accounts"	the audited report and accounts of EI and its subsidiary undertakings for the eleven month period ended 7th November, 1994
"Share Option Schemes"	the Electrophoretics International plc Approved Executive Share Option Scheme and the Executive Share Option Scheme (No. 2)
"2DE"	two dimensional electrophoresis, a means of separating proteins from body fluids and tissue
"US" or "United States"	the United States of America and, where appropriate, its territories and possessions

DIRECTORS, SECRETARY AND ADVISERS

Directors	Sir Michael Gylls, MP	Non-executive Chairman
	C.D.J. Pearce, MSI (Dip)	Managing Director
	J.L. Malthouse, FCA	Finance Director
	J.Q. Adams	Non-executive Director
	R.S. Harris, M.R.Pharm.S.	Non-executive Director
Secretary	J.L. Malthouse, FCA	
Registered and Head Office	Trafalgar House, 11 Waterloo Place, London SW1Y 4AU	
Nominated Adviser and Broker to the Company	Panmure Gordon & Co. Limited New Broad Street House, 35 New Broad Street, London EC2M 1NH	
Auditors	Arthur Andersen 1 Surrey Street, London WC2R 2PS	
Solicitors to the Company and to the Admission	Lovell White Durrant 65 Holborn Viaduct, London EC1A 2DY	
Bankers	The Royal Bank of Scotland plc 9 Pall Mall, London SW1Y 5LX	
Registrars	Independent Registrars Group Limited Broseley House, Newlands Drive, Witham, Essex CM8 2UL	

PART I

INFORMATION ON THE EI GROUP

INTRODUCTION

The EI Group is engaged in research and development, primarily in the field of medical diagnostics, both through its own research and through collaborative agreements with a number of prestigious academic institutions.

EI was incorporated in 1993 to act as the Group's holding company. In November 1994, through exchange offers for the Common Stock and for the options and warrants of Monoclonetics International, Inc ("MII"), it acquired all the share capital and the majority of the outstanding warrants and options of MII. MII was formed in 1984 to operate as a research laboratory based in Houston, Texas and, since 1988, has focussed on identifying new diagnostic markers. MII continues its research and development under the agreements to which it was party at the time it joined the Group. Electrophoretics Limited, EI's other subsidiary, was established in 1993 and is responsible for all other Group activities.

THE BUSINESS

EI is involved in research to identify certain protein markers ("protein markers"), primarily in blood, the presence of which may be used to identify specific disease states, and in the development of associated diagnostic techniques. EI's research has largely concentrated on proteins relating to neurological diseases and cancers.

EI uses two dimensional electrophoresis ("2DE") as the core technology of its research programme. 2DE is a means of separating proteins from body fluids and tissues using a combination of separation by molecular mass and by electrical charge. A blood or tissue sample is taken and separated using 2DE to produce a plate or "gel" which is, in essence, a map of some of the proteins contained in the sample. It is estimated that there are 100,000 different proteins in the human body and, to date, only a small proportion of these have been identified. 2DE is one of the most powerful analytical methods of protein identification and allows the simultaneous visualisation of some 3,500 individual proteins on a single gel.

2DE is a long-established technology which has been refined over the last two decades. However, few laboratories have chosen to specialise in 2DE because of the complex nature of running 2DE gels. EI, utilising 2DE with its own gel capability and scanning techniques incorporating sophisticated software programmes, has developed a substantial database of gels processed over the last ten years. EI's expertise is derived from a combination of skilled scientists and their knowledge in analysing and interpreting gels, together with analytical scanning techniques that identify the presence of specific protein markers. This leads the Directors to believe that EI is particularly well placed to discover and develop new diagnostic protein markers for a range of disease states.

The PND Protein marker

A significant achievement to date has been the identification of a protein marker known as Spot 719 which is elevated in cases of peripheral nerve damage ("PND") usually associated with chronic spinal pain ("CSP"). This is believed to be the first objective diagnostic technique to identify PND.

The development of the PND marker has significant commercial potential. A study by J.W. Frymoyer, a leading authority on the impact of back pain in the US, concluded that in 1990 total costs associated with back pain in the US were between \$50 billion to \$100 billion. These costs included workers' compensation, loss of pay, insurance and legal bills. The cost of diagnosis represented a substantial proportion of the total, with direct costs of treatment accounting for \$24.3 billion of this figure.

Back pain is a global phenomenon. The Frymoyer study showed that back pain in the US ranked second only to the common cold as the most frequent reason for consultation with physicians.

The Directors believe that the commercial application of the PND diagnostic marker test would represent a valuable addition to the range of diagnostic tests currently available in the market place. The test would provide general practitioners and specialists with a means of objectively identifying PND usually associated with CSP at an early stage. Such a test could be expected to be significantly cheaper than the subjective diagnostic tests currently available and should provide considerable cost savings.

The Directors believe that, in addition, an objective diagnostic marker for the identification of PND should provide a range of new applications and opportunities relating to the contractual, legal and insurance aspects of employee compensation associated with back pain, thereby greatly enhancing the size of the potential market across the world.

COLLABORATIVE AGREEMENTS

The Company's work on the PND marker has been carried out in collaboration with the US National Institute of Mental Health ("NIMH"). More recently, in 1995, EI established two important collaborative agreements for the identification of protein markers for neurological diseases and cancers. Details of these collaborative agreements are set out below.

Michigan

The Company has a collaborative agreement with the University of Michigan entered into on 1st May, 1995 under which the Company is funding research to look at protein markers associated with cancers. The agreement has a rolling term of one year renewable annually in April.

Under the terms of the agreement, EI has the right to an exclusive license agreement with Michigan University in respect of the intellectual property rights in connection with any discovery made under the terms of the collaboration.

Geneva

Electrophoretics has a collaborative agreement with the University Cantonal Hospital, Geneva under which the Company is funding research to look at protein markers which may be used for the diagnosis of brain damage and strokes. The agreement covers three years from June 1995. EI will own any intellectual property in connection with the collaboration and has an exclusive agreement for commercialisation.

Washington, D.C.

The research that culminated in the discovery of the PND protein marker was conducted by EI's subsidiary, Monoclonetics, with the NIMH pursuant to an agreement entered into in 1989, the Co-operative Research and Development Agreement ("CRADA"). Under the terms of the CRADA, the NIMH provides laboratory space in Washington, D.C. and equipment, together with certain scientific expertise, and Monoclonetics provides its own scientists and technical support, plasma samples, case histories and funding. In 1993, Monoclonetics applied for, and the NIMH approved, a three-year extension of the CRADA with an option for MII to extend for an additional two-year period thereafter.

EI intends to continue efforts to identify proteins with diagnostic value for other disease states and conditions, both independently and in the facility operated jointly with the NIMH in Washington, D.C. under the CRADA and in conjunction with the other collaboration agreements.

LICENSING AND ROYALTIES

Under the CRADA, discoveries made jointly by the NIMH and Monoclonetics pursuant to the CRADA, such as the PND protein marker, are owned jointly by the NIMH and Monoclonetics.

On 22nd January, 1993, the National Institute of Health (the "NIH") granted Monoclonetics the exclusive world-wide license to commercialise the protein marker technology discovered under the CRADA. After the first commercial sale, Monoclonetics is required to pay the NIH a royalty based on net sales.

Under the terms of the Michigan and Geneva agreements, the Company will be entitled to royalties generated by the successful commercialisation of a diagnostic based on discoveries of new protein markers. Under the terms of the Geneva agreement, EI is required to pay the University Cantonal Hospital, Geneva a royalty based on net sales after the first commercial sale has been effected.

PATENTS

Following the identification of protein markers for PND and the development of diagnostic techniques detailed above, MII filed patent applications in the US and elsewhere.

A US patent was granted in November 1994 (patent number 5364793). MII is the joint proprietor (with the US as represented by the Secretary of the Department of Health and Human Services) of this patent, the claims of which are directed to the use of methods of identifying patients likely to have PND using Spot 719.

Other patent applications relating to the same subject matter are pending in the US, Japan, Canada and Europe. The European Patent Office has indicated that the European application will be allowed. The Group also has a number of pending applications relating to other diagnostic markers.

COMMERCIALISATION

EI intends to sub-license the manufacturing, marketing and distribution rights for its discoveries to third party pharmaceutical or diagnostic companies in return for up-front payments with a stream of royalty payments. At the moment, EI is unable to estimate the amount of any such payment or the level of royalty that it may be able to negotiate for the licensing of its discoveries. The Company expects that any sub-licensee in connection with PND or any other discovery will be responsible for assisting in and obtaining local regulatory approval. In the US, such approvals can take up to several years to complete and may result in a delay in full commercial exploitation. As part of any such sub-licensing agreement, performance related standards will be included so that should the performance or sales levels of the sub-licensee fall below mutually agreed criteria, the Company would have the ability to terminate the sub-license agreement. EI intends to approach potential sub-licensees for the commercialisation of its PND protein marker discovery in the near future.

CURRENT OUTLOOK

EI will continue to concentrate its activities in research and development. In the short term, it will continue its current research programme and collaboration agreements and intends to complete its work on the PND marker with a view to bringing it to commercialisation by effecting a sub-license agreement with a third party pharmaceutical or diagnostic company. At the same time, it intends to expand the scope of its interests through further research and collaboration agreements utilising the same 2DE process to look for new protein markers and to develop commercial applications for promising protein markers already identified by EI for other disease states.

The Company continues to make strong progress in the current year and the Directors believe it has now entered into an exciting period of its development. It is currently considering a number of new collaboration and licensing agreements with leading research centres which would further enhance the Group's prospects.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below contains the names, ages and roles of the Directors, senior management and key employees of the Group.

Name	Age	Position
Sir Michael Grylls, MP	61	Non-executive Chairman
Christopher Pearce	42	Managing Director
James Malthouse, FCA	48	Finance Director and Company Secretary
John Quincy Adams	59	Non-executive Director
R. Stephen Harris	53	Non-executive Director

Key Employees

Bruce M. Cameron, Jr	47	Director and President, MII
Dale M. Vanderputten	34	Senior Scientist

Executives

Christopher Pearce, Managing Director, was previously a Director of Smith New Court Securities plc and has extensive experience in company research, marketing and corporate finance. He has been involved with the Group since 1988, and has been responsible for the formulation and implementation of the Group's corporate strategy, particularly the development of the Group's collaborative and licensing agreements and intellectual property.

James Malthouse, Finance Director, joined the Group in 1993 and is a Chartered Accountant with banking and corporate finance experience. He was Chairman and Finance Director of Unigroup plc, a listed industrial holding company and Finance Director of Harcourt Group plc.

Non-executives

Sir Michael Grylls, Chairman, has been a Member of Parliament since 1970. He was elected Chairman of the All-Party Pharmaceutical Industry Group in 1981, and has been Chairman of the Conservative back-bench Trade and Industry Committee since 1983. He was a director of Sterling-Winthrop, the UK subsidiary of Sterling Drug, a major pharmaceuticals group, and is currently a consultant to Sanofi-Winthrop in the UK. He is also a non-executive director of Cape PLC.

John Quincy Adams, was Founder and President of Adams Laboratories Inc., a pharmaceutical manufacturing and distribution business based in Dallas, Fort Worth, US and acquired by Medeva PLC in 1991. He was the Regional Director, Americas for Medeva PLC. He has considerable expertise in pharmaceutical manufacturing, marketing, licensing and distribution, and retired from the main board of Medeva PLC in September, 1995.

R. Steve Harris is a Member of the Royal Pharmaceutical Society. Until April 1995 he was Director of Development and Licensing at Medeva PLC. He has worked in the pharmaceutical industry for thirty years for companies including ICI, Merck Sharp & Dohme, Eli Lilly, Boots, Reckitt and Colman, and Gensia.

The Board believes that in order to maximise the benefit of the experience of its non-executive directors, it is essential that the skills they bring are complementary to those of the executives. As Chairman, Sir Michael Gylls brings to the Company a wealth of knowledge of the UK pharmaceutical business, together with experience of governments' relationship with the industry. Mr. Harris and Mr. Adams provide the Board with considerable practical expertise in the areas of sub-licensing, manufacturing, marketing and the distribution of pharmaceutical products. EI proposes to draw on their experience in the commercialisation of new products.

Key Employees

Bruce Cameron, Jr has been President of MII since 1990. From 1988 to 1990 he served as Vice President of MII. He is a US attorney, and has been involved in the formulation and implementation of corporate strategy.

Dr. Dale Vanderputten has been the Group's senior scientist since July 1989 and is based at the NIMH Laboratory of Biochemical Genetics, Washington, D.C. From 1988 to 1989 he performed research into molecular techniques for identifying and rapidly sequencing disease genes at the NIH. He was a research associate at Meloy Labs, a biotechnology research and development company, from 1984 to 1987 and received a PhD in genetics from George Washington University, Washington DC.

Consultant Orthopaedic Adviser

Dr. Bruce Cameron Snr, MD is a member of the American Board of Orthopaedic Surgeons and of the American Academy of Orthopaedic Surgeons. He is an affiliate of St. Luke's Episcopal Hospital in Houston, Texas and Clinical Associate Professor of Baylor College of Medicine in Houston, Texas.

Scientific Adviser to the Board

Dr. Michael Dunn is a Senior Lecturer at the Department of Cardiothoracic Surgery, at the National Heart and Lung Institute at Harefield Hospital, London. He has actively used and developed 2DE techniques, and his research facility is located with Professor Sir Magdi Jacoub and the heart team at Harefield.

PART II

UNAUDITED FINANCIAL INFORMATION

Latest Audited Financial Statements

The latest financial statements of the Group were for the eleven months ended 7th November, 1994. No audited financial statements have been produced since that date.

Change of Year-End

The Company intends to change its year-end to 31st December. The next set of audited financial statements for the Group will therefore cover the period from 7th November, 1994 to 31st December, 1995, and, the Directors anticipate, will be available in March or April 1996.

Unaudited Interim Accounts

The following unaudited interim accounts have been drawn up by the Directors of the Group. The policies and presentation used in the preparation of these interim accounts are consistent with those applied to the audited financial statements for the eleven months ended 7th November, 1994.

1. Consolidated Profit and Loss Account for the eight month period ended 30th June, 1995.

	£
Administrative expenses	(446,089)
Research and development expenses	(206,475)
Other operating expenses	(15,598)
Operating loss	(668,162)
Interest receivable	18,500
Interest payable and similar charges	(2,119)
Loss on ordinary activities before taxation	(651,781)
Tax on loss on ordinary activities	-
Accumulated deficit for the period	<u>(651,781)</u>

The only recognised gain or loss in the eight months other than the accumulated deficit for the period was a gain of £5,653 relating to the retranslation of the opening net liabilities of the Group's US subsidiary.

2. Consolidated Balance Sheets as at 30th June, 1995

	EI Group	
	<i>as at</i>	<i>as at</i>
	<i>30th June</i>	<i>7th November</i>
	<i>1995</i>	<i>1994</i>
	<i>Unaudited</i>	<i>Audited</i>
	£	£
Fixed assets		
Intangible assets	38,126	30,857
Tangible assets	59,016	8,450
Investments	—	12,500
	<u>97,142</u>	<u>51,807</u>
Current assets		
Debtors	46,010	12,810
Cash at bank and in hand	317,270	353,640
	<u>363,280</u>	<u>366,450</u>
Creditors: Amounts falling due within one year	(489,169)	(688,417)
Net current liabilities	<u>(125,889)</u>	<u>(321,967)</u>
Total assets less current liabilities	(28,747)	(270,160)
Net liabilities	<u>(28,747)</u>	<u>(270,160)</u>
Capital and reserves		
Called-up share capital	2,441,674	12,500
Share premium	124,200	—
Share capital reserve	—	1,641,082
Goodwill reserve	(1,928,297)	(1,903,547)
Profit and loss account	(666,324)	(20,195)
<i>Equity interests</i>	<i>(1,878,747)</i>	<i>(1,326,234)</i>
<i>Non-equity interests</i>	<i>1,850,000</i>	<i>1,056,074</i>
Total capital employed	<u>(28,747)</u>	<u>(270,160)</u>

3. Cash Flow Statement for the period from 8th November, 1994 to 30th June, 1995

	£
Operating loss for the period	(668,162)
Depreciation and amortisation charges	21,755
Decrease in net working capital	(253,301)
Net cash outflow from operations	<u>(899,708)</u>
Returns on investments and servicing of finance	
Interest received	18,500
Interest element of finance lease rental payments	(2,119)
Net cash inflow from returns on investments and servicing of finance	<u>16,381</u>
Investing activities	
Payments relating to patent submissions	(22,315)
Net cash outflow before financing	<u>(905,642)</u>
Financing	
Issue of share capital	886,919
Repayment of amounts borrowed	(7,156)
Capital element of finance lease rental payments	(10,491)
Net cash inflow from financing	<u>869,272</u>
Decrease in cash and cash equivalents	<u><u>(36,370)</u></u>
Cash and cash equivalents	
As at 8th November, 1994	353,640
Net cash outflow	(36,370)
As at 30th June, 1995	<u><u>317,270</u></u>

4. Indebtedness

At the close of business on 31st August, 1995 the Group had cash balances of £1,230,727.

At the close of business on 31st August, 1995 the Group had outstanding borrowings of £80,698 comprising unsecured bank overdrafts of £3,988, notes payable of £25,254 and hire purchase and finance lease obligations of £51,456.

Save as disclosed above, and apart from intra-group liabilities, at the close of business on 31st August, 1995, the Group had no loan capital outstanding or created but unissued, term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, mortgages or charges.

Subsequently, on 25th September, 1995, following the approval of the requisite resolution at an extraordinary general meeting of the Company, and at a separate class meeting of the Preference Shareholders, a further £1 million was received by the Company pursuant to a subscription of Ordinary Shares by funds managed by GFM International Investors Ltd, as described in the section of the interim statement entitled "Placing and Extraordinary General Meeting" in Part VI.

PART III

PRO FORMA BALANCE SHEETS

Set out below is the illustrative pro forma consolidated balance sheet of the Group following the issues of shares which are referred to in the section of the Interim Statement entitled "Placing and Extraordinary General Meeting" in Part VI. The figures are based on the unaudited Group balance sheet as at 30th June, 1995 set out in Part II.

	Group		
	<i>Per Interim Accounts £</i>	<i>Net Proceeds of Issues of Shares £</i>	<i>Pro forma £</i>
Fixed assets			
Intangible assets	38,126	—	38,126
Tangible assets	59,016	—	59,016
Investments	—	—	—
	<u>97,142</u>	<u>—</u>	<u>97,142</u>
Current assets			
Debtors	46,010	—	46,010
Cash at bank and in hand	317,270	2,203,438	2,520,708
	<u>363,280</u>	<u>2,203,438</u>	<u>2,566,718</u>
Creditors: Amounts falling due within one year	(489,169)	—	(489,169)
Net current assets (liabilities)	<u>(125,889)</u>	<u>2,203,438</u>	<u>2,077,549</u>
Net assets (liabilities)	<u>(28,747)</u>	<u>2,203,438</u>	<u>2,174,691</u>
Capital and reserves			
Called-up share capital	2,441,674	(345,803)	2,095,871
Share premium	124,200	2,549,241	2,673,441
Goodwill reserve	(1,928,297)	—	(1,928,297)
Profit and loss account	(666,324)	—	(666,324)
Total capital employed	<u>(28,747)</u>	<u>2,203,438</u>	<u>2,174,691</u>

Notes:

1. The net proceeds of the issues of shares described in Part VI, which were completed on 27th September, 1995, are based on gross proceeds of £2,604,319 less the cost of redeeming 400,881 voting preference shares of £1 each.
2. No account has been taken of the Group's results since 30th June, 1995.

PART IV

RISK FACTORS

In addition to the other information in this document, the following risk factors are or may be relevant to the Group's business and securities.

Continuing Losses

EI's business has incurred losses since it was established. These losses have arisen mainly from costs incurred in research and development and from general and administrative costs.

Dependence on Collaboration Agreements

EI's own research is largely concentrated at facilities provided by the NIMH under the CRADA. The CRADA may be terminated by either the NIMH or the Company on 30 days' notice. EI intends to continue to conduct its research under the CRADA.

The NIMH has granted an exclusive world-wide license to permit the Company to commercialise the process for the detection of CSP/PND, which license may cease to be exclusive if EI does not comply with certain performance bench-marks and time schedules in connection with commercialisation. Although the Company has achieved these bench-marks and time schedules to date, there can be no assurance they will be achieved in the future.

Licensing Arrangements and Uncertainty of Commercialisation

EI intends to sub-license its discoveries to third parties. No license agreement with any third party has been negotiated. There can be no assurance that any such licensing arrangement will be successfully negotiated. It is also uncertain whether commercial tests can be developed and will be successful in the market.

Competition and Technology

The international biotechnology industry is subject to rapid and substantial technological change. There can be no assurance that developments by others will not render the Company's developments obsolete or uncompetitive.

Dependence on Key Personnel

EI depends on its ability to attract and retain qualified management and scientific personnel. Competition for such personnel is intense. Whilst the Company has entered into employment arrangements with its key personnel with the aim of securing their services for minimum terms, the retention of their services cannot be guaranteed.

Product Liability

Product liability risks are inherent in the research and development, pre-clinical study, clinical trials and use of tests by consumers. However, the Group intends that as part of the terms to be agreed with sublicensees to commercialise its research findings, this liability will be assumed by the sublicensees.

Share Price Volatility

The share price of publicly traded pharmaceutical health care and biotechnology companies can be highly volatile. The price at which the Company's shares will be traded and the price which investors may realise for their shares will be influenced by a large number of factors, some specific to EI and its operations and some which may affect the traded pharmaceutical healthcare and biotechnology sectors, or traded companies generally.

Patent Applications and Proprietary Rights

There is no assurance that EI's pending applications will result in the grant of patents or that the scope of protection offered by any patents will be as planned or whether any such patents ultimately will be upheld as valid by a court of competent jurisdiction in the event of a legal challenge. The costs of such legal proceedings would be significant and an unfavourable outcome would result in the loss of rights to the invention at issue in the proceedings. If EI fails to obtain patents for its technology and is required to rely on unpatented proprietary technology, no assurance can be given that EI can meaningfully protect its rights in such unpatented proprietary products and techniques.

Patent applications in the United States have been maintained in secrecy until patents are issued and, since application or discoveries in the scientific or patent literature tend to lag behind actual discoveries by several months, EI cannot be certain that it was the first creator of inventions covered by pending US patent applications or the first to file patent applications on such inventions until a patent is issued. There can be no assurance that EI's US patent will afford protection against a competitor.

Third Party Rights

There is no reason to believe that any of the products or processes arising from EI's or MII's research and development infringe any third party rights. No searches have, however, been carried out and no assurance may be given in this regard.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS OF EI

- 2.1 Over the five years preceding the date of this document, the directorships held by the Directors (apart from their directorship of the Company and other members of the Group) are as follows:

Sir Michael Grylls	Cape PLC Sanofi Winthrop Pension Trustees Limited Columbus Press Limited Le Carbone (GB) Limited Small Business Bureau Limited Sterling Winthrop Group Limited (resigned December 1991) Armstrong Consulting Services Limited (resigned June 1994)
C.D.J. Pearce	CF Partners Limited The Falcon Hotel (Bromyard) Limited Fitness First Group Limited Fitness First Limited Fitness First (Camberley) Limited Fitness First (Coventry) Limited Fitness First (Northampton) Limited Queens Park Club Limited The Thorndike Theatre Limited Smith New Court Securities plc (resigned November 1990) Smith New Court Agency Limited (resigned November 1990) Smith New Court Corporate Finance Limited (resigned Nov 1990) BNP Securities Limited (resigned February 1992)
J.L. Malthouse	The Fulham Investment and Property Company Limited Harcourt Group plc (resigned April 1992) Precis (990) Limited (resigned April 1992) Coppice Foil Containers Limited (resigned April 1992) Coppice Alupack Foil Containers Limited (resigned April 1992) Michael Freeman Products Limited (resigned April 1992) J.T.S. Manufacturing Limited (resigned April 1992) J.C.B. Manufacturing Limited (resigned April 1992) Pavelodge Packaging Limited (resigned April 1992)

ATP Management Limited (resigned April 1992)
 Avon Tin Printers Limited (resigned April 1992)
 Binderlee Limited (resigned April 1992)
 Jay Plastics Limited (resigned April 1992)
 Montpellier Frozen Foods Limited (resigned April 1992)
 Thorvac Limited (resigned April 1992)

J.Q. Adams

J.Q. Enterprises Inc.
 Medeva PLC (resigned September 1995)
 Adams Laboratories Inc (resigned September 1995)
 Medeva California Inc (resigned September 1995)
 Medeva Holdings Inc (resigned September 1995)
 Medeva Inc (resigned September 1995)
 Medeva Holdings B.V. (resigned September 1995)
 Evans Medical S.A. (resigned September 1995)

R.S. Harris

Gensia Europe Limited
 Soltec Research (Europe) Limited
 Evans Pharmaceuticals Limited (Eire) (resigned Sept. 1993)
 Medeva PLC (resigned April, 1995)
 British Chemotheutic Products Limited (resigned April, 1995)
 Chilva Limited (resigned April, 1995)
 Chilva Laboratories Limited (resigned April, 1995)
 Episeps Limited (resigned April, 1995)
 Evans Biologicals Limited (resigned April, 1995)
 Evans Healthcare Limited (resigned April, 1995)
 Evans Medical Limited (resigned April, 1995)
 Medeva Group Research Limited (resigned April, 1995)
 Medeva International Limited (resigned April, 1995)
 Optabs Limited (resigned April, 1995)
 Zephrin Limited (resigned April, 1995)
 Zephrin Healthcare Limited (resigned April, 1995)
 Prodeva Limited (resigned April, 1995)

- 2.2 At the date of this document, none of the Directors had any unspent convictions nor had been subject to any public criticisms by statutory or regulatory authorities. Sir Michael Grylls was a non-executive director of Vosper plc which went into receivership on 28th February, 1986. Save as disclosed in this paragraph 2.2, there have been no bankruptcies, receiverships or liquidations of companies where the Directors were directors at the time of, or within twelve months preceding the date of, any such bankruptcies, receiverships or liquidations.

3. INCORPORATION AND REGISTRATION

The Company's registered office and principal place of business is Trafalgar House, 11 Waterloo Place, London SW1Y 4AU. It was incorporated in England and Wales with registration number 2879724 on 10th December, 1993 as Timedbid plc under the Companies Act 1985 as a public limited company and changed its name on 13th October, 1994 to Electrophoretics International plc.

4. LIABILITY

The liability of members is limited.

5. SHARE CAPITAL

- 5.1 At an Extraordinary General Meeting of the Company held on 3rd August, 1994 the Directors were generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value not exceeding £2,699,998, such authority being expressed to expire, unless revoked or renewed, on 2nd August, 1999.
- 5.2 The Directors were further authorised pursuant to section 95 of the Companies Act 1985 by a special resolution dated 3rd August, 1994 to allot equity securities (within the meaning of Section 94 of the said Act) pursuant to the authority set out in paragraph 5.1 above as if subsection (1) of Section 89 of the said Act did not apply to any such allotment. This authority will, *inter alia*, permit the allotment for cash (otherwise than pro-rata to existing holdings) of all of the authorised but unissued ordinary shares in the capital of the Company, representing approximately 23.7 per cent. of the nominal value of the present issued ordinary share capital of the Company. This authority will unless renewed, varied or extended, expire on 2nd August, 1999.

6. DIRECTORS' AND OTHER INTERESTS

6.1 (a) Interests in Ordinary Shares

At 27th September, 1995 (being the latest practical date prior to the printing of this document), the interests of the Directors and persons connected with the Directors (within the meaning of Section 324 of the Act) in the share capital of the Company which have been notified to the Company under the provisions of Sections 324 and 328 of the Act, or are required to be entered in the register maintained under the provisions of Section 325 of the Act, are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Sir Michael Gylls	300,000	0.46
C.D.J. Pearce	3,738,500	5.78
J.L. Malthouse	125,000	0.19
J.Q. Adams	615,000	0.95
R.S. Harris	111,600	0.17

(b) Directors' options over Ordinary Shares

The Options over Ordinary Shares granted to Directors under the Share Option Schemes are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price</i>	<i>Earliest date from which exercisable</i>	<i>Expiry Date</i>
1. Approved				
C.D.J. Pearce	888,889	45p	1.3.98	1.3.2005
J.L. Malthouse	577,778	45p	1.3.98	1.3.2005
2. Unapproved				
Sir Michael Grylls	211,100	45p	23.12.97	23.12.2002
C.D.J. Pearce	333,300	45p	23.12.97	23.12.2002
J.L. Malthouse	216,700	45p	23.12.97	23.12.2002
J.Q. Adams	50,000	45p	23.12.97	23.12.2002
R.S. Harris	83,300	45p	23.12.97	23.12.2002

Mr Adams also has a right to receive up to 410,000 Ordinary Shares of 1p each in EI by virtue of warrants held by him over \$0.001 shares of Monoclonetics Common Stock as described in paragraph 6.4 below. In addition, Mr Pearce has a right to receive up to 642,840 Ordinary Shares of 1p each in EI by virtue of warrants held by him over \$0.001 shares of Monoclonetics Common Stock, as described in paragraph 6.3 below.

- 6.2 As at 27th September, 1995 (being the latest practical date prior to the printing of this document) the total number of options granted under the Share Option Schemes, including the options set out in paragraph 6.1 above is as follows:

	<i>Number of Ordinary Shares</i>	<i>Nominal Value of Ordinary Shares</i>	<i>Subscription price</i>	<i>Date normally exercisable</i>
Approved Share Option Scheme	1,466,667	£14,666.67	45p	1.3.98–1.3.2005
Unapproved Share Option Scheme	1,227,700	£12,277.00	45p	23.12.97–22.1.2002

- 6.3 Under an agreement dated 31st March, 1993 Monoclonetics granted to C.D.J. Pearce an option to purchase 99,998 \$0.001 shares of Monoclonetics Common Stock at \$7.50 per share, of which 35,714 have been exchanged for shares in Electrophoretics under a Warrant Exchange Agreement (described in note 10 to the Accounts). C.D.J. Pearce is entitled to exercise 10,714 options a year in each of the years 1995 to 2000. The option terminates on the earlier of 15th April, 2000 or the termination of his employment with the Company. Accordingly, pursuant to the terms of the Warrant Exchange Agreement referred to in paragraph 7.1 below, on the exercise of all his outstanding warrants in respect of MII Common Stock, Mr Pearce has a right to receive up to 642,840 Ordinary Shares of 1p each in EI in exchange for such MII Common Stock.

- 6.4 J.Q. Adams holds warrants in respect of 41,000 \$0.001 shares of MII Common Stock of MII exercisable at \$8.50 per share and which expire on 14th September, 1996. Pursuant to the terms of the Warrant Exchange Agreement referred to in paragraph 7.1 below, on the exercise of all his outstanding warrants in respect of MII Common Stock, Mr. Adams has a right to receive up to 410,000 Ordinary Shares of 1p each in EI in exchange for such MII Common Stock.
- 6.5 Other than the interests in Ordinary Shares disclosed in paragraphs 6.1, 6.3 and 6.4 above, none of the Directors and (to the best of the Directors' knowledge and belief) none of the persons connected with the Directors has any interest in the Ordinary Shares of the Company.

7. OPTIONS

- 7.1 Under the terms of the Warrant Exchange agreement (referred to in note 10 to the Accounts), a warrant holder or option holder who did not exchange his warrants or options and, subsequent to the termination of the Warrant Exchange exercises his warrants or options by paying the exercise price therefore, will have the right to receive, at his election (i) 100 Ordinary Shares of 1p each in EI in respect of each ten \$0.001 shares of Common Stock of MII, underlying the warrants, or (ii) \$0.15 in cash in respect of each ten \$0.001 shares of Common Stock underlying the warrants.
- 7.2 In December, 1992 MII entered into an agreement pursuant to which it has agreed to grant Dr. B.M. Cameron, Senior an option to acquire up to 250,000 \$0.001 shares of MII Common Stock at a purchase price of \$1.50 per share, expiring in December 2002, in consideration of Dr. Cameron relinquishing all obligations owed to him pursuant to a Net Profits Interest Agreement previously entered into by MII with Dr. Cameron, (pursuant to which Net Profits Interest Agreement Dr. Cameron had a financial interest in revenues generated and created as a result of the development and discovery with MII of the PND protein marker). The right to exercise the options accrues at the rate of 25,000 shares per year only in the event that the blood protein marker for PND produces revenue for MII in that year. The Company has agreed to assume MII's obligations pursuant to this agreement. Accordingly, pursuant to the terms of the Warrant Exchange Agreement (referred to in paragraph 7.1 above), if these outstanding warrants over \$0.001 shares of MII Common Stock are exercised, Dr Cameron has a right to receive, at his election, up to 2,500,000 Ordinary Shares of 1p each of EI in exchange for such MII Common Stock.
- 7.3 On 31st March, 1993 MII, granted to B.M. Cameron, Junior, the President of MII, an option to purchase 99,998 \$0.001 shares of MII Common Stock at US\$7.50 per share, of which 35,714 have been exercised. Mr. Cameron is entitled to exercise 10,714 options a year, in each of the years 1995 to 2000. The option terminates on the earlier of 15th April, 2000 or the termination of this employment with MII. Accordingly, pursuant to the terms of the Warrant Exchange Agreement (referred to at 7.1 above), on exercise of all his outstanding options in respect of MII Common Stock, Mr. Cameron has a right to receive, at his election, up to 642,840 Ordinary Shares of 1p each in EI in exchange for such MII Common Stock.

7.4 In addition to those referred to in paragraphs 6.3, 6.4, 7.2 and 7.3 above, there are warrants outstanding with respect to 20,000 \$0.001 shares of Common Stock of MII, at an exercise price of \$3.00, 4,800 \$0.0001 shares of Common Stock of MII, at an exercise price of \$6.50 and 135,200 \$0.001 shares of Common Stock of MII at an exercise price of \$8.50. The \$3.00 warrants are exercisable at various dates between 8th August, 1995 and 8th August, 1999. The \$6.50 warrants expire between 29th September, 1995 and 8th April, 1996 and the \$8.50 warrants expire between 14th September, 1996 and 11th July, 1997. Accordingly, pursuant to the terms of the Warrant Exchange Agreement (referred to at 7.1 above), if these outstanding warrants in MII Common Stock are exercised, EI may issue up to 1,600,000 Ordinary Shares of 1p each in exchange for such MII Common Stock.

7.5 By an Option Deed dated 26th April, 1995 the Company granted H M I Services Limited an option to subscribe for up to 200,000 Ordinary Shares at an option price of 48p per Ordinary Share which may be exercised from time to time expiring on 31st December, 1996.

8. SUBSTANTIAL SHAREHOLDINGS

8.1 At 27th September, 1995 and following the issues of shares which are referred to in the section of the interim statement entitled "Placing and Extraordinary General Meeting" in Part VI, the Company had received notification of or is otherwise aware of the following interests in its share capital of persons who are entitled to exercise or control the exercise of ten per cent. or more of the votes to be cast on all or substantially all matters at a general meeting of the Company:

	<i>Ordinary Shares</i>	<i>% Class</i>	<i>% votes (all classes of shares)</i>
Bruce M. Cameron, Senior Funds managed by GFM International Investors Limited	7,620,600 6,750,678	11.78 10.44	8.06 7.14
	<i>3.75% Redeemable Preference Shares</i>	<i>% Class</i>	<i>% votes (all classes of shares)</i>
Funds managed by GFM International Investors Limited	£200,441	30.24	9.54
Funds managed by CIGNA International Investment Advisors Limited	£462,500	69.76	22.02
	<i>3.75% Redeemable Preference Shares (non-voting)</i>	<i>% Class</i>	<i>% votes (all classes of share)</i>
Funds managed by GFM International Investors Limited	786,178	100.0	N/A

- 8.2 Save as set out in paragraph 8.1 above, the Company is not aware of any person who is entitled to exercise or to control the exercise of ten per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company or any such other person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

9.1 Memorandum of Association

The provisions of the Company's Memorandum of Association determining its objects are widely drawn and include provisions for the Company (i) to carry on all or any of the businesses of general merchants and traders; participate in, undertake, perform and carry on all kinds of commercial, industrial, trading and financial operations and enterprises; (ii) to carry on the business of an investment company in all its branches; (iii) to carry on any trade or business whatsoever which can in the opinion of the Board be advantageously carried on in connection with or ancillary to the business of the Company.

9.2 Articles of Association

- (a) A summary of the rights attaching to the Ordinary Shares, contained in the Articles of Association of the Company, is set out below:

Voting

Every member holding Ordinary Shares present in person at a general meeting has, on a show of hands, one vote and every member holding Ordinary Shares present in person or by proxy has, on a poll, one vote for every Ordinary Share of which he is the holder save that a member subject to a Direction Notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in Ordinary Shares required to be provided under the Articles of Association and the Act may be suspended from entitlement to attend and vote at any general meeting of the Company and, unless determined otherwise by the Board, a member who has not paid to the Company all the monies then payable by him in respect of Ordinary Shares in the Company shall not be entitled to vote either personally or by proxy, at any general meeting of the Company.

Dividends

Subject to the provisions of the statutes the Company may by ordinary resolution declare dividends in accordance with and subject to the respective rights of members provided that no dividend shall exceed the amount recommended by the Board. Subject to any special rights as to dividends of the members, dividends are to be declared and paid according to the amounts paid up on shares in respect of which the dividend is paid, no amount paid up on a share in advance of calls shall be treated as paid up for this purpose and, subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on shares for any portion or portions of the period in respect of which the dividend is paid. The 3.75 per cent. Redeemable Preference Shares (voting) and the 3.75 per cent. Redeemable Preference Shares (non-voting) entitle the holders in

priority to any payment of dividend to the holders of Ordinary Shares to payment of a fixed non-cumulative preferential dividend at the gross rate of 5 per cent. per annum on the capital for the time being paid up or credited paid up on such shares. The balance of profits then remaining available for distribution, so far as resolved to be distributed, shall be distributed by way of dividends among the holders of the Ordinary Shares.

The Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to it to be justified by the profits of the Company available for distribution.

Subject to the provisions of the Articles of Association, the Board may with the authority of an Ordinary Resolution, offer the holders of Ordinary Shares the right to elect and receive an allotment of additional Ordinary Shares by way of a scrip dividend instead of cash.

On the recommendation of the Board, a general meeting declaring a dividend may make payment of such dividend wholly or in part by the distribution of specific assets and in paid-up shares, debentures or debenture stock of any other company.

The Board may withhold dividends payable on shares the subject of a Direction Notice after there has been a failure to provide the Company with information concerning an interest in the shares required to be provided under the Articles of Association or the Act until the failure has been remedied.

Any dividend unclaimed, after a period of twelve years from the date when it becomes due for payment, will be forfeited and will revert to the Company.

Return of capital

All members of the Company rank *pari passu* with each other in respect of any distribution on a return of capital save that the holders of the 3.75 per cent. Redeemable Preference Shares (voting) and the 3.75 per cent. Redeemable Preference Shares (non-voting) shall only be entitled to receive up to a sum equal to the amount paid up or credited as paid up thereon and are not entitled to any further right of participation in the assets of the Company.

Distribution of assets in specie

In a winding up (whether voluntary or otherwise) of the Company, a liquidator may with the sanction of an extraordinary resolution or any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) as he deems fair.

Redemption

The Ordinary Shares are not issued as redeemable shares.

Variation of rights

Subject to the provisions of the Statutes, the rights attaching to any class of shares of the Company may, subject to the terms of issue, be varied in any manner that may be provided by such rights or with the consent in writing of the holders of not less than three-quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the members of that class. To every such separate meeting the provisions of the Articles of Association and of statutes relating to general meetings of the Company and to proceedings thereat, apply except that the necessary quorum shall be members of the class present, in person or by proxy, holding not less than one-third of the issued shares of that class; any holder of shares of that class present, in person or by proxy, may demand a poll; and every such holder shall, on a poll, have one vote for every share of the class held by him.

Pre-emption

There are no pre-emption rights or restrictions on the transfer of Ordinary Shares. The statutory regime contained in sections 89 to 96 of the Act, requiring certain offers of equity securities of the Company to be made on a pre-emptive basis, applies to the Company's equity share capital.

A summary of the rights attaching to other classes of shares in the authorised share capital of the Company as contained in its Articles of Association, in respect of which classes of shares no application is being made to be admitted to trading on AIM, is set out below.

(b) 3.75 per cent. Redeemable Preference Shares (Voting)

Voting

As from the date of issue until 31st December 1999, or if earlier the date upon which any class of the Company's shares are admitted to the Official List of the London Stock Exchange, are designated for trading on the Unlisted Securities Market or are admitted to listing on any other recognised Stock Exchange every member holding Preference Shares (voting) shall, on a show of hands or on a poll, at a general meeting, have 45,000 votes for every £1,000 nominal fully paid Preference Shares of which he is the holder (subject to any applicable Direction Notice referred to above). From 1st January, 2000 or, if earlier, the date of an event referred to in the foregoing sentence every holder of Preference Shares (voting) shall have the right to receive notice of and to attend but not to speak or vote (either in person or by proxy) at any general meeting unless either:

- (i) any of the Preference Shares (voting) required to be redeemed have not been redeemed on the due date (in which case the holder of the Preference Shares has the right to speak and vote on any resolution at a general meeting of the Company);
- (ii) the business of the general meeting includes a resolution varying the rights attaching to the Preference Shares (in which case the holders of the Preference Share (voting) shall be entitled to speak and vote on that resolution only); or

- (iii) the business of the general meeting includes consideration of a resolution for winding up the Company (in which case the holder of the Preference Shares shall have a right to speak and vote on any resolution at the general meeting.)

In the circumstances described at (i) to (iii) above, holders of Preference Shares are entitled, on a show of hands or on a poll, to one vote in respect of each fully paid Preference Share.

Dividends

The holders of the Preference Shares (voting) have the right to a dividend described in (a) above.

Return of capital

The holders of the Preference Shares (voting) have the right on a return of capital described in (a) above.

Redemption

The Preference Shares (voting) for the time being issued and outstanding may be redeemed by the Company at any time on written notice to the holders of those shares but, in any event, will be redeemed on 31st December, 2019. The Preference Shares (voting) are to be redeemed at par.

Transfer

The Preference Shares (voting) may not be transferred unless first offered to the holders of Ordinary Shares at a fair value to be fixed by the Company's auditors (such a fair value not to exceed the nominal value of the Preference Shares (voting)).

(c) 3.75 per cent. Redeemable Preference Shares (Non-voting)

The Non-voting Shares have the same rights and are subject to the same restrictions and rank *pari passu* with the Preference Shares (voting) save that Non-voting Shares do not confer the right to vote on any matter but the holder of Non-voting Shares has the right to receive notice of and to attend but not speak at general meetings of the Company.

(d) Redeemable Shares

The Redeemable Shares rank *pari passu* with the Ordinary Shares as to dividends, return of capital and voting. As regards redemption, the Articles of Association provide that the Redeemable Shares were to be redeemed no later than 31st December, 1994 subject to the provisions of the statutes. Redeemable Shares are redeemable at the amount paid up thereon.

10. LITIGATION

Neither the Company nor any member of the Group is or has been engaged in any legal or arbitration proceedings nor so far as the Directors are aware are any such proceedings pending or threatened against the Company or any member of the Group.

11. WORKING CAPITAL

The Directors of the Company, having made due and careful enquiry, and having regard to the existing cash reserves of the Group, consider that the working capital available to EI and the Group is sufficient for their present requirements.

12. GENERAL

12.1 This document should be read in conjunction with the Report and Accounts of the Company and its subsidiary undertakings for the eleven month period ended 7th November, 1994, which form part of this document.

12.2 The Company's interim statement for the period to 30th June, 1995 published on 1st September, 1995, is reproduced in Part VI of this document.

12.3 As at 28th September, 1995, each of the Directors and employees of the Group have agreed not to dispose of any of their respective interests in the issued Ordinary Share capital of the Company for a period of one year from the date of admission of the Ordinary Shares to trading on AIM, save in the event of an intervening court order, a take-over of the Company becoming or being declared unconditional or the death of the relevant Director or employee.

Date: 27th September 1995

PART VI

Interim Statement for the period to 30th June, 1995

Set out below is the unaudited interim statement of Electrophoretics for the period to 30th June, 1995 together with a notice convening an extraordinary general meeting of the Company to approve amendments to the Articles of Association arising from the recent fund raising. The amendments to the Articles of Association were duly passed by a special resolution on 25th September, 1995.

Electrophoretics International plc

(Registered in England No. 2879724)

Directors:

Sir Michael Grylls, M.P. (*Chairman*)
C. D. J. Pearce (*Chief Executive*)
J. L. Malthouse F.C.A. (*Finance Director*)
J. Q. Adams (*Non-Executive*)
R. S. Harris (*Non-Executive*)

4th Floor Trafalgar House,
11-12 Waterloo Place,
London SW1Y 4AU
Telephone: 0171 839 1000
Facsimile: 0171 839 1607

1 September, 1995

Dear Shareholder,

I am writing to you to report on the Group's results for the period to the 30th June 1995, to update you on its progress and to give you details of an Extraordinary General Meeting of the Company which has been convened for 11 am, Monday 25 September, 1995 at Trafalgar House, 11 Waterloo Place, London, SW1Y 4AU at which shareholders will be asked to pass a resolution to enable the redemption of some of the existing voting Preference Shares.

REVIEW OF ACTIVITIES

Overview

Your Board has been active in the first half of the current financial year both in continuing the back-pain marker project and in broadening the scope of the Group's activities.

The ability to offer a range of accurate non-invasive diagnostic tests for a variety of major diseases would mark a significant step in advancing both the early diagnosis and therapeutic treatment of those diseases and consequently reduce the level of costs in the healthcare systems of the major markets to be targeted by the Company. A pharmaceutical company with both an effective patented diagnostic and therapeutic in its portfolio would therefore be positioned with a considerable commercial advantage.

Against this background, the Company's strategy is to focus its research to look for diagnostic markers in neurological diseases and cancers, two areas where leading multi-national pharmaceutical companies are actively developing therapeutic products. This strategy is progressing satisfactorily. Your Board believes that few neurological and cancer diagnostics are currently available and the market opportunities are substantial.

Back-Pain Marker

Further research has been carried out by the Group on the back pain marker and the development of a non-invasive diagnostic test. I am pleased to report that the Board has now decided that it is in a position to approach potential sub-licencees with a view to commercialisation; this process is anticipated to commence in the next few weeks.

Other Developments

Shareholders will be aware that your Board recently announced that it has signed exclusive collaboration and licencing agreements with the University Cantonal Hospital Geneva and with the University of Michigan, to identify possible stroke and cancer markers respectively. We regard these agreements as significant and are proud of our association with such leading centres of excellence. We are pleased with the progress that has been made to date, including the filing of two provisional patent applications.

We believe that through its experience and skill in the field of identification of protein markers, the Company is particularly well placed to exploit further opportunities, where there is a real chance of identifying products of significant commercial application and potential.

GROUP RESULTS

Due to continued investment in research and development the Group, as anticipated, incurred a loss for the period 8th November 1994 to 30th June 1995 of £651,782; this was in line with our budgets and we continue to exercise prudent control over expenditure.

CURRENT OUTLOOK

The Company continues to make strong progress in the current year and I believe it has now entered into an exciting period of its development. Your board is currently considering a number of other collaboration and licensing agreements with leading research centres which we are confident will further enhance the Group's prospects.

PLACING AND EXTRAORDINARY GENERAL MEETING

To provide further working capital the Company has recently raised £1.2m, by way of a private placing of new Ordinary Shares with institutions at a price of 48p per share. In addition, funds managed by GFM International Investors Limited have agreed to subscribe for 2,083,330 new Ordinary Shares of 1p each at 48p per share to raise a further £1 million new monies for the Company. These subscriptions are conditional on the level of voting rights held by GFM managed funds being reduced through the conversion of part of their respective interests in the voting Preference Shares of £1 each in the capital of the Company (the 3.75% Redeemable Preference Shares (voting) of £1 each) into Ordinary Shares of 1p each. This conversion will be achieved by the redemption at par of 400,881 voting Preference Shares of £1 in the capital of the Company from the proceeds of an issue of an aggregate of 917,348 Ordinary Shares of 1p each at 43.7p per share to funds managed by GFM. This will reduce the votes of the voting Preference Shares of £1 each in the enlarged equity of the Company from 43.7% to 31.5%.

Following the completion of the transactions, the Company's issued share capital will consist of 64,675,244 Ordinary Shares of 1p each, 662,941 voting Preference Shares of £1 each, and 786,178 non-voting Preference Shares of £1 each.

Your Directors consider that completion of the above arrangements should provide adequate funding to cover the Company's planned research and development costs into 1997.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The redemption of voting Preference Shares of £1 each of the Company from the proceeds of a fresh subscription of new Ordinary Shares of 1p each by funds managed by GFM referred to above requires the sanction of the voting Preference Shareholders in accordance with the Articles of Association and an amendment to the Articles of Association of the Company. A Resolution to effect such an amendment is set out in the Notice of Extraordinary General Meeting sent to you with this letter (the "Resolution"). A separate class meeting of the holders of the voting Preference Shares has been convened to sanction the amendment to the rights of the voting Preference Shares in accordance with the Articles of Association.

The Resolution will allow the Company to redeem the voting and the non-voting Preference Shares of £1 each at any time and provides that, in the case of a partial redemption of Preference Shares, these will be redeemed pro rata to the respective holdings, unless there is agreement to the contrary by the holders of three quarters of the Preference Shares, or the sanction of an extraordinary resolution at a separate class meeting of the Preference Shareholders.

The subscriptions by funds managed by GFM of the new monies for Ordinary Shares of 1p each at 48p per share referred to above is conditional on the passing of the Resolution to permit redemption of the voting Preference Shares. Consent to the variation of and amendment to the rights attaching to the voting Preference Shares in the manner proposed by the Resolution and agreement to vote in favour of the Resolution has been obtained from the holders thereof comprising in aggregate 28.1 per cent of the voting rights exercisable in General Meetings of the Company.

Your Directors consider that the Resolution is in the best interests of the Company and unanimously recommend you to vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings of an aggregate of 4.5 per cent of the voting rights exercisable in General Meetings of the Company. A Form of Proxy for use in connection with the Resolution is enclosed.

AIM LISTING/APPOINTMENT OF BROKERS

Following the private placements and the issues of new Ordinary Shares, your Board intends to take steps to move the Company up from a Rule 4.2(a) trading facility to an AIM listing on the London Stock Exchange. This will be sponsored by Panmure Gordon & Co. Ltd., who I am pleased to say were recently appointed as the Company's stockbrokers. Your Board believes that an AIM listing should provide a higher public profile for the Company and facilitate greater liquidity in your Company's shares.

Yours sincerely,

Sir Michael Grylls
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Electrophoretics International plc will be held at 4th Floor, Trafalgar House, 11-12 Waterloo Place, London SW1Y 4AU on Monday 25 September, 1995 at 11 am for the purposes of considering and if thought fit passing the following resolution which will be proposed as a special resolution.

SPECIAL RESOLUTION

1. Subject to either the consent in writing of the holders of not less than three quarters of the issued Preference Shares being obtained or to the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the voting Preference Shares being given (whether such consent is obtained or sanction given before or after the date hereof), the Articles of Association of the Company shall be altered as follows:

- (i) By the deletion of existing paragraph (d)(i) of Article 4 and the substitution therefor of the following paragraph numbered (d)(i):

"The Preference Shares may be redeemed (subject to the provision of the Statutes and these Articles) as follows:

(aa) the Company shall have the right to redeem the whole or any part of the Preference Shares for the time being issued and outstanding at any time on 7 days written notice being given to the registered holders of the Preference Shares to be redeemed;

(bb) the whole of the Preference Shares then issued and outstanding will be redeemed on 31 December 2019."

- (ii) By inserting a new paragraph (d) (ii) of Article 4 as follows:

"In the case of a partial redemption of Preference Shares by the Company pursuant to paragraph (i) above, redemption shall be effected pro rata between holders according to the respective numbers of Preference Shares held by them upon the date of service by the Company of the notice of redemption, or as is otherwise either agreed to by the holders of not less than three quarters of the issued Preference Shares or approved with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the Preference Shares."

- (iii) By renumbering existing paragraph (d) (ii), (iii), (iv), (v) and (vi) of Article 4 as respectively (d) (iii), (iv), (v), (vi) and (vii).

- (iv) By inserting in the existing Article 6 the words "from time to time as" after the words "the Non-voting Shares shall have the same rights and be subject to the same restrictions."

such alteration of the Articles of Association to have effect from the date of this resolution or (if the consent of the holders of Preference Shares is obtained or the sanction of an extraordinary resolution of the holders of the Preference Shares is given as aforesaid after the date of this resolution) on the date such consent is obtained or sanction given.

By order of the Board

Registered Office:
4th Floor
Trafalgar House
11-12 Waterloo Place
London SW1Y 4AU

J. Malthouse
Secretary
1st September 1995

Note: A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and/or voting at the meeting. A form of proxy for use at the meeting is enclosed.

To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof must be lodged at the registered office of the Company not less than 48 hours before the time of the meeting. Where a member appoints more than one proxy the instrument of appointment should specify the shares of the member in respect of which each such proxy is to vote.