

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This prospectus has been drawn up in accordance with the Public Offers of Securities Regulations 1995. A copy of this prospectus has been delivered to the registrar of companies in England and Wales for registration pursuant to Regulation 4(2). The Company's advisers named in this prospectus act only for the Company in connection with the Offer described in this prospectus and will not be responsible for providing the protections afforded to their clients or for advising any other person in connection with the Offer.

To the best of the knowledge and belief of the Directors of Lilestone plc who are the persons responsible for this prospectus, the information contained in it is in accordance with the facts and it makes no omission which is likely to affect the import of such information. The Directors whose names are set out on page 3, accept responsibility accordingly.

Application will be made for the entire issued share capital of the Company to be dealt in on OFEX once the Minimum Account has been raised. OFEX is not a regulated market. OFEX is described on pages 11 to 12 of this document. No application has been made for the admission of the ordinary share capital of the Company to listing on the Official List of the UK Listing Authority, the Alternative Investment Market of the London Stock Exchange or any other investment exchange or market, recognised or otherwise.

LILESTONE PLC

(Registered in England and Wales with registered number 3970757)

**Offer for subscription of up to 2,045,176 New Ordinary Shares
of 1 pence each at 74 pence each payable in full on application**

Admission to trading on OFEX

SHARE CAPITAL (Assuming the Offer is fully subscribed)

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
1,000,000	100,000,000	Ordinary Shares of 1 pence each	102,258.80	10,225,882

The procedure for application and payment is set out in Part V of this prospectus and the Application Form is set out at the end of this document. The subscription list for the New Ordinary Shares will open at 10.00 a.m. on 21 February 2001 and may be closed at any time thereafter, subject to the Minimum Amount being raised by 3.00 p.m. on 28 March 2001, but not later than 3.00 p.m. on 6 April 2001 unless at the discretion of the Directors it is extended beyond that date. The Offer has not been underwritten.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of personal circumstances and the financial resources available to such investor. Your attention is drawn to the section entitled "Risk Factors" on pages 14 to 15.



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DIRECTORS AND ADVISERS

DIRECTORS: Peder Bertelsen (*Non-Executive Chairman*)
Charlotte Semler (*Executive Director*)
Nina Hampson (*Executive Director*)

COMPANY SECRETARY: Nina Hampson

REGISTERED OFFICE: Finsgate
5-7 Cranwood Street
London EC1V 9EE

AUDITORS AND REPORTING
ACCOUNTANTS: Jeffreys Henry
Finsgate
5-7 Cranwood Street
London EC1V 9EE

SOLICITORS TO THE COMPANY
AND TO THE OFFER: Finers Stephens Innocent
179 Great Portland Street
London
W1N 6LS

CORPORATE ADVISER: Daniel Stewart & Company Plc
48 Bishopsgate
London
EC2N 4AJ

Daniel Stewart & Company Plc is regulated by The Securities and Futures Authority Limited

BANKERS: HSBC Bank plc
Tottenham Court Road
London W1

REGISTRARS: Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

DEFINITIONS

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

"the Act"	the Companies Act 1985, as amended;
"Admission"	the admission of the Ordinary Shares and the New Ordinary Shares to trading on OFEX;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Application Form"	the application form to be used in connection with the Offer;
"Articles"	the articles of association of the Company;
"the Brand"	the brand to be developed by the Company for the marketing of its products;
"the Company"	Lilestone Plc;
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
"Daniel Stewart"	Daniel Stewart & Company Plc;
"Directors" or "Board"	Peder Bertelsen, Charlotte Semler and Nina Hampson;
"FSA"	The Financial Services Authority;
"Internet"	a series of interconnected networks providing global links of digital information whether in the form of numerical data, text, sound or image;
"IT"	information technology;
"London Stock Exchange"	the London Stock Exchange Plc;
"Minimum Amount"	the sum of £500,000 to be raised pursuant to the terms of the Offer;
"New Ordinary Shares"	2,045,176 new Ordinary Shares proposed to be issued pursuant to the Offer;
"OFEX"	a market operated by JP Jenkins Limited, a member of the London Stock Exchange and regulated by the Securities and Futures Authority, which allows trading in the shares of unquoted companies;
"Offer"	the offer for subscription for New Ordinary Shares as set out in this prospectus;
"Offer Price"	74 pence per New Ordinary Share;
"Ordinary Shares"	the ordinary shares of 1 pence each in the capital of the Company;
"Regulations"	The Public Offers of Securities Regulations 1995, as amended;
"Scheme"	The Lilestone plc Unapproved Share Option Scheme, a summary of which is set out in Part IV of this document;
"Shareholders"	holders of issued Ordinary Shares on the date hereof; and
"UK Listing Authority"	the FSA acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986.

KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not just rely on the key information set out below.

INTRODUCTION AND CONCEPT

The Company was formed in April 2000 for the purpose of establishing a luxury designer brand for women which will enable stylish and fashion conscious women to purchase sex accessories which suit their lifestyles and aspirations.

The Directors believe that changing attitudes to female sexuality due to heightened media coverage and the removal of social taboos surrounding female sexual fulfilment means that there is a marketplace for high quality sexy luxury goods for women. The Directors are developing a brand which will be targeted to reflect the lifestyle aspirations of an upmarket, sophisticated target audience and will, with the proposed product launch during September 2001, sell high quality, high design merchandise which will reflect fashions and seasons.

The Brand name and identity will be revealed at a high profile launch in September 2001. It is envisaged that the Company will change its name to, and trade under, the Brand name at the appropriate time.

THE MARKETPLACE AND TARGET AUDIENCE

The Brand will be positioned to appeal to the top 20 per cent. of women aged 25 to 50 (by disposable income), which recent statistics have shown amounts to approximately 2 million women. This is the target market which is most likely to purchase designer wear and expensive lingerie. The Directors believe that at present there is no "sex brand" that fits the Company's target audience as the marketplace tends to be directed at down market products with only limited up-market products currently being offered.

Through provision of a unique quality branded product range delivered to, what the Directors believe to be, a neglected consumer group, the Directors believe that the Company will enjoy a first mover advantage through the creation of a niche product offering. Additionally, the Directors believe that they have the skills and experience required to build a strong brand and generate outstanding customer loyalty by understanding and addressing customer needs.

PRODUCT RANGE AND DISTRIBUTION

The Company will merchandise products which are of both high quality and high design and reflective of fashion and seasons. The majority of the Company's merchandise will be sold under the Brand and will be exclusive to the Company. The Directors plan to launch a full product range during September 2001 which will include: lingerie; personal care; toys; contraception; accessories; and cosmetics. It is the Directors' intention to distribute the Company's goods through three distribution channels: by mail order; through the Internet; and, when the Company's resources and cashflow permits, through a flagship store.

PROCEEDS

The Company is proposing to raise up to £1,513,430 before expenses by the issue of up to 2,045,176 New Ordinary Shares at a price of 74 pence per share. The net proceeds will be used by the Company for product development and stock purchases, website and mail order catalogue development and for the recruitment of staff.

TRADING HISTORY AND ILLUSTRATIVE FINANCIAL PROJECTIONS

The Directors have prepared estimates of the revenue and costs that they anticipate for the Company for the three years ending respectively on 31 December 2003. These estimates are intended as a guide to show what the Company's trading performance could be, if the Director's assumptions are correct. The illustrative projections, which are derived from the Directors' estimates, are set out on pages 16 and 17. They are included for illustrative purposes only and are not forecasts of future results and should not be treated as such. Attention is drawn to the Risk Factors set out on pages 14 and 15.

	<i>Year ending 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	£1,427	£10,019	£16,885
Operating Profit/(loss) before taxation	£(1,453)	£1,309	£3,837

OFFER STATISTICS

Offer price per share	74 pence
Number of Ordinary Shares in issue following completion of the Offer*	10,225,882
Market capitalisation before the Offer at the Offer Price	£6,053,722
Market capitalisation at the Offer Price*	£7,567,153
Number of Ordinary Shares subject to the Offer	2,045,176
Proportion of enlarged issued share capital subject to the Offer	20%
Gross proceeds receivable by the Company pursuant to the Offer	£1,513,430

**Assuming full subscription*

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

The Company was formed in April 2000 for the purpose of establishing a luxury designer brand for women which will enable stylish and fashion conscious women to purchase sex accessories which suit their lifestyles and aspirations. It is the Directors' intention to distribute the Company's goods through three distribution channels: by mail order; through the Internet; and, when the Company's resources and cashflow permits, through a flagship store.

The Company proposes to raise £1,513,430 before expenses by the issue of the New Ordinary Shares. The net proceeds of the Offer will be used for product development and stock purchases, website and mail order catalogue development and for the recruitment of staff.

2. THE CONCEPT AND BRAND

The Directors believe that changing attitudes to female sexuality due to heightened media coverage and the removal of social taboos surrounding female sexual fulfilment means that there is a marketplace for high quality sexy luxury goods for women. The Directors are developing a brand which will be targeted to reflect the lifestyle aspirations of an upmarket, sophisticated target audience and will sell high quality, high design merchandise which will reflect fashions and seasons. The Company is working with leading designers and manufacturers to produce luxury goods and the Directors will then market these products in a disciplined manner in order to create a strong luxury goods brand.

The Brand name and identity will be revealed at a high profile launch in September 2001. It is envisaged that the Company will change its name to, and trade under, the Brand name at the appropriate time.

3. THE MARKETPLACE AND THE TARGET AUDIENCE

The Brand will be positioned to appeal to the top 20 per cent. of women aged 25 to 50 (by disposable income), which recent statistics have shown amounts to approximately 2 million women. This is the target market which is most likely to purchase designer wear and expensive lingerie. The Directors believe that at present there is no "sex brand" that fits the Company's target audience as the marketplace tends to be directed at down market products with only limited up-market products currently being offered.

Sex retailing has during recent years emerged from the seedy background to become far more mainstream. Whilst there is no published market size or growth figures available for the sex market, circumstantial evidence suggests that it is a developing market where strong growth is set to continue. It is projected that in the UK alone sex related spend on the Internet will reach approximately £650 million by 2002. It is the Directors' intention for the Company to offer a sophisticated quality designer product range which is not perceived as either being tacky or embarrassing and will resonate with the Company's target audience.

Through provision of a unique quality branded product range delivered to, what the Directors believe to be, a neglected consumer group in this market, the Directors believe that the Company will enjoy a first mover advantage through the creation of a niche product offering. Additionally, the Directors believe that they have the skills and experience required to build a strong brand and generate outstanding customer loyalty by understanding and addressing customer needs.

4. THE PRODUCT RANGE

The Company will merchandise products which are of both high quality and design and reflective of fashion and seasons. The majority of the Company's merchandise will be sold under the Brand and will be exclusive to the Company. The Directors plan to launch a full product range during September 2001 which will include:

- Lingerie:* the Directors have existing relationships with selected premium lingerie suppliers, some of which do not currently supply retailers in the United Kingdom. It is the Directors' intention for the Company to offer premium lingerie products;
- Personal Care:* the Company is developing its own range of body, bath and bed products which are based on aromatherapy and herbal ingredients. In anticipation of the September 2001 launch, the Company is in the process of developing a product range with Peter Jarvis Cosmetics Developments, a leading manufacturer of aromatherapy and herbal ingredients;
- Toys:* the Company has commissioned leading sculptors and designers for the design and development of a range of sex toys which are at present in the product development stage. The Directors have identified, and are working with, a leading manufacturer regarding the manufacture of a sex toy product range in anticipation of the September 2001 product launch;
- Contraception:* a range of condoms will be supplied to the Company by a leading manufacturer and these will then be sold in the Company's branded packaging;
- Accessories:* the Company will offer a branded range of accessories which will include scarves, blindfolds and ties; and
- Cosmetics:* the Company is currently developing its own range of branded make-up, which will be specifically formulated for a "sexy" effect, with Intercos UK Limited, a leading manufacturer of cosmetics.

The Identica Partnership, a leading packaging design agency, has been appointed by the Directors and is developing the packaging and design of the Company's branded products.

5. DISTRIBUTION AND DATABASE ANALYSIS

The Directors have chosen a distribution strategy which involves "clicks, mail and mortar". The Company's product distribution channels will be as follows:

- Mail order:* The Directors believe that the Company's mail order catalogue will be an important channel of distribution for the Company as the upmarket mail order sector has shown growth of approximately 17.5 per cent. during the past few years. Furthermore the Directors believe that however socially acceptable the Brand becomes some men and women will feel more comfortable shopping from home as this will give them total privacy. The Company's mail order catalogue will also reach those who do not have Internet access or are uncomfortable purchasing goods online.
- Online:* The Company plans to launch a website, which will have an online catalogue, at the same time as the launch of its product range during September 2001. Although online retailing is foreseen as initially being a small part of the Company's business, the Directors believe that its importance will increase due to the growth in online sex related spend.
- Flagship Store:* The Directors believe that in order to reinforce the Brand as a credible designer brand it is preferable for the Company to have a flagship store. The Directors believe that such a store would be the focal point for media attention and would serve as a market research facility for new product initiatives and brand development. However, the opening of a flagship store will only occur when the Company's resources and cashflow permits.

To build customer loyalty, the Directors intend to employ data capture and analysis techniques. Most customers will be assigned a unique reference number and every product a product hierarchy code which will contain information such as product type, colour, size, shape or fit (for lingerie) and the price point. A database of customer purchasing and returns histories will allow the Company to understand its customer base and will be used to target highly relevant products and promotions at individual customers and the people buying gifts for them.

Furthermore, the customer base will be analysed in order to identify groups of customers with similar behaviour patterns. Once identified the Directors intend to use qualitative market research to understand the emotional and rational motivations behind the behaviour of each of the customer groups. This information will be used to develop new products and services that meet customer needs and wants.

6. MEDIA AND PUBLIC RELATIONS

The Directors intend to adopt a focused media strategy which will position the Brand as a premium designer brand. The Directors' public relations and advertising strategy will target mainstream style and fashion publications. The Directors believe that the launch of the product range during September 2001 will generate much publicity and their relationships with journalists and editors of leading newspapers should, they believe, ensure that such coverage enhances the Brand's market position.

7. CURRENT TRADING AND FURTHER DEVELOPMENT

The Directors, together with the appointed designers and manufacturers, are in the process of developing the Company's initial product range. The Directors intend to launch this initial product range and to start trading during September 2001. The Directors also believe that the Brand has international potential and it is their intention to develop this once the Company's cashflow permits.

8. DIRECTORS

Peder Ole Bertelsen (Non-Executive Chairman) (aged 70), is Chief Executive of Flagstone Limited and has 25 years experience of the luxury goods market. He has both introduced numerous luxury goods brands to the UK and owned their respective flagship stores. He has been involved in the establishment of the following brands in the UK: Ralph Lauren, Armani, Tiffany's, J.P. Tod's, Valentino and Dolce & Gabbana.

Charlotte Semler (Executive Director) (aged 31), has a BA from Oxford University and started her career at Wasserstein Perella as a corporate finance analyst before joining Saatchi and Saatchi as strategic planner for brand and communication strategy and new product development. In 1998 she then joined Lowe Howard Spink as board planning director before co-founding the Company in April 2000.

Nina Martine Hampson (Executive Director) (aged 28), has a Maitrise in Economics from the University of Nantes, France. She began her career as a business analyst at Hay Management Consultants before moving to Mercer to develop business marketing strategy. In 1997 she joined dunnhumby where she was responsible for analysing customer data to generate business strategies for numerous leading retailers. In April 2000 she co-founded the Company.

Finance Director

It is the Directors' intention to appoint a Finance Director to the board of the Company within six months of Admission.

9. TAXATION

Information concerning UK taxation with regard to the Offer is set out in Part IV of this document.

10. ENTERPRISE INVESTMENT SCHEME

The Company has received clearance from the Inland Revenue that its trade and shares qualify for relief in respect of the Enterprise Investment Scheme. The proposed new financing structure should therefore enable potential investors to qualify for relief under the Enterprise Investment Scheme (EIS) subject to the detailed requirements of the scheme. EIS tax relief can be claimed by a qualifying individual who subscribes for eligible shares in a qualifying company.

EIS tax relief exempts investors from the liability to capital gains tax where they dispose of their shares providing that the disposal takes place at least three years from the date of issue or the commencement of trading if later (previously five years) and providing that EIS income tax relief has been given and not withdrawn. The reduction in the holding period from five to three years was included in the Finance Act 2000. Any previous gain deferred by reinvesting in EIS shares remains chargeable.

The income tax element of the relief allows an investor to reduce the amount of his or her income tax liability with relief being given at 20 per cent. on the amount invested up to a maximum investment of £150,000 in any one tax year.

EIS tax relief also allows investors to defer capital gains tax liabilities. An investor can defer a liability to capital gains by reinvesting the chargeable gain into EIS shares one year before or three years after the disposal of the asset on which the gain arose.

In addition, there are various conditions attached to EIS relief which individuals must satisfy for a particular relevant period, so it is vital that potential subscribers take advice from their own professional adviser on the likelihood of their qualifying for EIS relief.

EIS relief is withdrawn if the Company ceases trading or alters the nature of its trade within a period of three years from the date of commencement of trade. The Directors will keep the trading position under review during this period.

Further details of EIS tax relief are set out in paragraph 12 in Part IV of this document.

The EIS rules are generally complex and individual investors should always seek professional advice in respect of the relief.

11. OFEX AND THE MARKETABILITY OF THE NEW ORDINARY SHARES

Once the Minimum Amount has been raised application will be made for the entire issued share capital of the Company to be dealt in on OFEX, which is a market operated by JP Jenkins Limited. It is emphasised that no application is being made for admission of these securities to the Alternative Investment Market of the London Stock Exchange or the Official List of the UK Listing Authority.

OFEX provides a facility for member firms of the London Stock Exchange to deal through an independent market maker and access a comprehensive company information and announcement system provided by Newstrack Limited and presently distributed by Bloomberg, Primark and Reuters. Newstrack Limited is an electronic news and information service for professional intermediaries which carries information on OFEX companies, announcements by such companies and other information on OFEX including mid prices. Newstrack Limited is available to private investors to access through the Internet (www.ofex.co.uk). In addition, price information on some OFEX stocks is available in the Financial Times and the Evening Standard.

An individual wishing to buy or sell shares which are traded on the OFEX market, must trade through a stockbroker (being a member of the London Stock Exchange and regulated by the Securities and Futures Authority) as JP Jenkins Limited does not deal directly with the public.

The key elements of OFEX

- OFEX is open to both "limited" and "plc" status companies and can accommodate trading in any class of security provided that it is not quoted on any UK Recognised Investment Exchange, e.g., the London Stock Exchange.

- Companies raising money from the public must have "plc" status and publish a prospectus meeting the requirements of the Regulations or where such a prospectus is not required, must comply with the investment advertisement regulations of the Financial Services Act 1986.
- Accuracy of documents is principally the responsibility of the Company's directors. Neither JP Jenkins Limited nor Newstrack Limited is responsible for, nor do they undertake any steps to check, the accuracy of any information provided by the Company to investors.
- Companies are required under the OFEX Code to publish price-sensitive information promptly through the Newstrack announcement service.
- Companies must meet certain ongoing obligations, as stipulated in the OFEX Code.
- Companies applying to join OFEX must do so through a corporate adviser.
- There are no minimum/maximum limits on capitalisation for entry.
- There is no minimum limit on the amount of shares in public hands.
- OFEX securities may be traded on OFEX through a stockbroker.

OFEX and the UK regulatory framework.

It is important to note that, by comparison to the Official List of the UK Listing Authority or AIM, OFEX is not regulated by the London Stock Exchange or the UK Listing Authority. It should also be noted that OFEX companies, their participating intermediaries and investors in them are all generally subject to and have the benefit of English common law, in addition to the Financial Services Act 1986, the Companies Acts 1985 and 1989 and the Regulations.

Where relevant, the City Code on Takeovers and Mergers applies to OFEX companies.

In addition, companies whose shares are traded on OFEX are required to comply with the OFEX Code. JP Jenkins Limited can impose sanctions on OFEX constituent companies where the OFEX Code, or legislation referred to above, are not complied with. These sanctions consist of suspension of trading in the shares of an offending company and ultimately of the OFEX trading facility.

The OFEX Code of Best Practice

Once a company is accepted onto OFEX by JP Jenkins Limited, it has continuing obligations to observe. The OFEX requirements for the application and continuing obligations are not as demanding as apply to companies whose shares are listed on a regulated market, where there are mandatory listing and continuing obligation rules. OFEX constituent companies, however, are required by the OFEX Code to disclose information to investors and Newstrack Limited, in particular, in relation to price-sensitive information. The OFEX Code therefore provides companies and participating intermediaries with guidelines covering the entry and ongoing requirements for companies whose shares are dealt with on OFEX.

12. TRADING HISTORY

During December 2000 and January 2001, the Company undertook a private placing exercise, details of which are set out in paragraph 3.9 of Part IV of this document, pursuant to which the sum of £1,002,136, before expenses was raised by the subscription by investors of 2,045,176 new ordinary shares of 1 pence each at a subscription price of 49 pence per share.

The Directors have prepared estimates for the revenue and costs, which they anticipate for the three years ending 31 December 2003. These estimates are intended as a guide to show what the Company's trading performance could be, if the Director's assumptions are correct. The illustrative projections, which are derived from the Director's estimates, are set out on pages 16 to 17. They are included for illustrative purposes only and are not forecasts of future results and should not be treated as such. Attention is drawn to the Risk Factors set out on pages 14 and 15.

13. SHARE OPTION ARRANGEMENTS

The Directors intend to grant enterprise management incentive options to key full time employees and Directors of the Company in accordance with the enterprise management incentives legislation contained in Schedule 14 of the Finance Act 2000.

The Company has also adopted an unapproved share option scheme, further details of which are set out in Part IV of this document.

The maximum number of Ordinary Shares for which subscription options may be granted to employees and Directors which can subsist at any one time under both the provisions of the enterprise management incentives legislation, contained in the Finance Act 2000, and under the Scheme, shall not in aggregate exceed 15 per cent of the nominal value of the ordinary share capital of the Company in issue immediately following the proposed date of grant of any such options (assuming that all such options have been exercised).

14. THE OFFER

Up to 2,045,176 New Ordinary Shares are being offered for subscription at 74 pence per share to raise up to £1,513,430 before expenses. The net proceeds of the Offer are estimated to be approximately £1,433,430 after deduction of the expenses but before deducting any VAT and before any commissions which may be payable. Commissions of up to 5 per cent. of the aggregate value of New Ordinary Shares subscribed may be payable by the Company to persons who subscribe or procure to agree to subscribe or agree to procure subscribers for the New Ordinary Shares. On the basis of the Minimum Amount and full subscription, such commissions will be a maximum of £25,000 and £75,672 (both exclusive of VAT) respectively.

Investors may apply for a minimum of 1,000 New Ordinary Shares (£740) and thereafter in multiples of 500 New Ordinary Shares. Applications must be made on the Application Form. Details of the terms and conditions of the Offer for New Ordinary Shares are set out in Part V of this document. The Directors reserve the right to reject applications in whole or in part or to scale down any application.

The subscription list for the New Ordinary Shares will open at 10.00 a.m. on 21 February 2001, and may be closed at any time thereafter, subject to the Minimum Amount being raised by 28 March 2001, but not later than 3.00 p.m. on 6 April 2001 unless at the discretion of the Directors it is extended beyond that date. The subscription price of 74 pence per New Ordinary Share is payable in full on application. Allotments to successful applicants will be made on reaching the Minimum Amount (and following confirmation from JP Jenkins Limited that the Company's securities will be admitted to trading on OFEX) and thereafter on the closing of the Offer which will be the earlier of attaining the maximum subscription or 6 April 2001, unless at the discretion of the Directors it is extended beyond that date and share certificates, or CREST account alterations, together with any surplus application monies, will be sent or made, as applicable, to those persons entitled within 8 days after the respective date of allotment.

The New Ordinary Share will, following allotment, rank *pari passu* in all respects with the existing issued Ordinary Shares and will have the right to receive all dividends and other distributions thereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

The Directors and The Semler Trust SG Hambros Jersey have undertaken to the Company and Daniel Stewart not to sell any of their holdings of Ordinary Shares, details of which are set out in Part IV of this document, before the first anniversary of Admission except where a general or partial offer is made to all Shareholders of the Company and in exceptional circumstances upon the prior written approval of Daniel Stewart. The Directors have also adopted and will abide by the model code on directors' dealings in securities publishing by the London Stock Exchange.

The Minimum Amount which must be subscribed under the Offer is £500,000 (approximately £420,000 net of expenses but excluding VAT and any commissions which may be payable). The Offer is conditional upon the Company's application to join OFEX being accepted and upon valid applications being received for the Minimum Amount. The Offer has not been underwritten.

15. PROCEEDS

The Company is proposing to raise £1,513,430 before expenses by the issue of 2,045,176 New Ordinary Shares at a price of 74 pence per share. The net proceeds will be used by the Company for product development and stock purchases, website and mail order catalogue development and for the recruitment of staff.

16. DIVIDEND POLICY

The Directors intend to have a dividend policy which takes account of both the requirements of the business and the expectation of the Shareholders.

17. WORKING CAPITAL

The Directors are of the opinion that taking into account the Minimum Amount being raised pursuant to the Offer, the Company will have sufficient working capital for its present requirements.

18. RISK FACTORS

The investment described in this prospectus may not be suitable for all recipients of this prospectus. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

- The Ordinary Shares are not listed or dealt on any stock exchange. Notwithstanding the fact that application will be made for the Ordinary Shares and the New Ordinary Shares to be traded off exchange through OFEX, this should not be taken as implying that there will a "liquid" market in the Ordinary Shares. Consequently, it may be more difficult for an investor to sell his/her Ordinary Shares and he/she may receive less than the amount paid;
- The value of the Company's Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment;
- While the Directors believe that the Company's application to join OFEX will be accepted, both the application for the Ordinary Shares and the New Ordinary Shares to be traded on OFEX, and the continued membership of OFEX, are entirely at the discretion of JP Jenkins Limited;
- The market for shares in smaller public companies, including the Company, is less liquid than for larger public companies. Consequently share prices may be subject to greater fluctuation and shares may be difficult to buy and sell;
- The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous;
- The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his investment in the Company;
- An investment in the Ordinary Shares of the Company may not be suitable for all recipients of this prospectus. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind before making their decision;
- The Company does not have an established trading record;
- The success of the Company depends to a significant extent on certain key Directors and the loss of one or more of them could have an adverse effect on the Company;

- The proposed launch of the Company's product range during September 2001 could be delayed if any of the product manufacturers fail to meet agreed delivery deadlines;
- The success of the Company could be affected by a general economic downturn; and
- An existing retailer with an established market brand could enter the Company's target market.

19. CREST

The Company intends to join CREST, the computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form although a shareholder can continue dealing based on share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective. For more information concerning CREST, shareholders should contact their broker or, alternatively, CRESTCo Limited at Trinity Tower, 9 Thomas More Street, London E1 9YN.

20. CORPORATE GOVERNANCE

The Directors acknowledge the importance of the guidelines set out in the Principles of Good Governance and Code of Best Practice ("the Combined Code"). They therefore intend to comply with the Combined Code in so far as it is practicable and appropriate to the Company, given its size and nature. The Company has adopted and will operate a share dealing code for Directors in the same terms as the Model Code for companies whose shares have been admitted to AIM.

It is the Directors' intention to appoint a Finance Director to the board of the Company within six months of Admission.

The Company will be treated by JP Jenkins Limited as a start-up company on OFEX until it has completed trading for 36 months. During that time the Company will issue quarterly reports on Newstrack Limited, an information service relating to OFEX companies, and will retain a corporate adviser throughout that period. The Company has also undertaken that it will issue announcements on the OFEX Newstrack Service.

PART II

ILLUSTRATIVE FINANCIAL PROJECTIONS

1. INTRODUCTION

Set out below, for the purpose of illustration only, are Illustrative Projections ("the Projections") for the Company's three financial years ending respectively on 31 December 2001, 31 December 2002 and 31 December 2003.

The Projections have been prepared after due and careful enquiry by the Directors, but are not forecasts and should not be relied upon as necessarily representative of future results. The estimates and assumptions underlying the Projections are inherently uncertain, being based upon events that have not taken place, and are subject to significant economic, competitive and other uncertainties and contingencies beyond the Company's control. Consequently, there can be no assurances that the Projections can be achieved, or that actual results will not be higher or lower than those projected. Prospective investors are cautioned not to place undue reliance on the Projections in determining whether to subscribe for Ordinary Shares. Your attention is drawn to the principal assumptions set out below, and to the risk factors on pages 14 and 15.

The estimates and assumptions underlying the Projections are based on matters as they exist at the date hereof and not as at any future date. Accordingly, the Projections should not be relied on for any purpose following completion of the Offer.

It is emphasised that the Projections do not constitute a profit forecast and cannot be regarded as such. They should be read in conjunction with the assumptions set out below.

2. PRINCIPAL ASSUMPTIONS

The following principal assumptions have been used in preparing the Illustrative Projections which could have a material effect on the Projections:

- The Offer will be subscribed for £1,500,000;
- There will be no material changes in the nature or extent of the market which will be served by the Company;
- Sales have been projected based on current market conditions and known competition;
- All reserves are distributable and no dividends will be paid in any of the three periods covered.

3. BASIS OF PREPARATION OF THE PROJECTIONS AND BASES

The Projections have been prepared on the following bases:

- The Directors have prepared the Projections based on their experience and after discussions with various advisors;
- All revenue and expenses are stated at current prices (net of Value Added Tax) and no account has been taken of either cost or price inflation;
- There will be no changes in legislation, government regulations or policies which will materially adversely affect the Company's trading.

4. ILLUSTRATIVE FINANCIAL PROJECTIONS

	<i>Year Ending 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	1,427	10,019	16,885
Cost of sales	<u>(767)</u>	<u>(4,108)</u>	<u>(6,050)</u>
Gross profit	660	5,911	10,835
Administrative expenses	<u>(2,113)</u>	<u>(4,602)</u>	<u>(6,998)</u>
Profit/(loss) on ordinary activities before taxation	<u>(1,453)</u>	<u>1,309</u>	<u>3,837</u>
Tax on profit on ordinary activities	<u>–</u>	<u>–</u>	<u>(1,108)</u>
Profit/(loss) for the financial year	<u>(1,453)</u>	<u>1,309</u>	<u>2,729</u>
After-tax earnings per share			
(assuming 10,225,882 shares in issue and ranked for dividends)	<u>–</u>	<u>12.8p</u>	<u>26.7p</u>

The accounting policies and calculations for the Illustrative Financial Projections of the Company for the three years ending 31 December 2003, have been reviewed by Jeffreys Henry who have reported to the Directors of the Company that, in their opinion, the Projections, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors of the Company and are presented on a basis consistent with the accounting policies to be adopted by the Company.

The Directors
Lilestone Plc
97 Mortimer Street
LONDON
W1N 7NA

and

The Directors
Daniel Stewart & Company Plc
48 Bishopsgate
LONDON
EC2N 4AJ

JEFFREYS HENRY

Chartered Accountants

Finsgate 5-7 Cranwood Street
London EC1V 9EE

Telephone 020-7309 2222

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Website www.jefhenry.com



Associated Worldwide with
Jeffreys Henry International

16 February 2001

Dear Sirs

LILESTONE PLC: Prospectus dated 16 February 2001

We have reviewed the accounting policies and calculations used in the preparation of the Illustrative Financial Projections of Lilestone Plc ("the Company") for the periods ending 31 December 2001, 2002 and 2003 ("the projections") for which the Directors of the Company are solely responsible, as set out in the prospectus dated 16 February 2001 ("the Prospectus").

The projections are based upon the Directors' assumptions, estimates and assessments of the markets and the Company's development plans relevant thereto.

The Illustrative Financial Projections cover an extended future period and cannot be regarded as forecasts of results. They have been prepared, based on the assumptions set out in Part II of the Prospectus, to illustrate the possible results of the Company if the assumptions are correct. We express no opinion on the validity of the assumptions.

Events and circumstances frequently do not occur as expected. The actual results may therefore differ materially from those projected. Attention is drawn, in particular to the section headed "Risk Factors" set out in the Prospectus which describes the principal risks associated with the venture to which the projections relate. For these reasons, we do not express any opinion as to the possibility of their achievement.

In our opinion, the Illustrative Financial Projections, so far as the accounting bases and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors of the Company and are presented on a basis consistent with the Company's accounting policies and generally accepted accounting policies.

Yours faithfully

Jeffreys Henry
Chartered Accountants and Registered Auditors

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

The following is the text of a report from Jeffreys Henry Accountants and Registered Auditors, who are auditors to Lilestone Plc.

The Directors
Lilestone Plc
97 Mortimer Street
LONDON
W1N 7NA

and

The Directors
Daniel Stewart & Company Plc
48 Bishopsgate
LONDON
EC2N 4AJ

JEFFREYS HENRY

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Website www.jefhenry.com

JHI

Associated Worldwide with
Jeffreys Henry International

16 February 2001

Dear Sirs,

1. INTRODUCTION

We report on the financial information set out below relating to Lilestone Plc ("The Company"). The financial information has been prepared for inclusion in the Prospectus dated 16 February 2001 ("The Prospectus").

Basis of Preparation

The Company has not yet prepared statutory financial statements for presentation to shareholders. The financial information set out below has been extracted from the non-statutory accounts of the Company for the period ended 12 February 2001.

Responsibility

The Directors of the Company and Daniel Stewart & Company Plc are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to form an opinion on the financial information and 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 the evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgement made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company'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. In forming our opinion, we evaluated the overall adequacy of the presentation of the financial information.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 16 February 2001 a true and fair view of the state of affairs of the Company as at 12 February 2001 and the results for the period then ended.

Consent

We consent to the inclusion of this report in the Prospectus and accept responsibility for its content for the purposes of paragraphs 45(i)b(iii) and 45(8)b of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. FINANCIAL INFORMATION

The Company was incorporated on 12 April 2000 under the name Pinco 1404 Limited, with the registered number 3970757. The Company changed its name to Semlerhampson Limited on 14 April 2000.

On 14 June 2000, the share capital was sub-divided into Ordinary Shares of 1p each. The Company has an authorised share capital of £1,000,000 divided into 100,000,000 Ordinary Shares of 1p each. The Company changed its name to Noanoo Limited on 4 December 2000.

On 7 December 2000 the Company capitalised the sum of £59,000 being part of the amount standing to the credit of the share premium account by way of bonus issue of 5,900,000 un-issued Ordinary Shares of 1p each to all members in the proportions in which they held Ordinary Shares.

On 8 December, the Company issued a private placing memorandum, offering 2,045,176 ordinary shares of 1p each at a price of 49p per share. The private placing was fully subscribed.

The Company re-registered as a public limited company on 7 February 2001.

The Company changed its name to Lilestone Plc on 14 February 2001.

3. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial information has been prepared under the historical cost convention.

(b) *Compliance with accounting standards*

The financial information has been prepared in accordance with applicable accounting standards.

(c) *Tangible Fixed Assets*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Fixtures, fittings & equipment – Over five years

(d) *Deferred taxation*

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

4. PROFIT AND LOSS ACCOUNT

		<i>Period from incorporation to 12 February 2001</i>
	<i>Notes</i>	<i>£</i>
Administrative expenses		(107,565)
Loss on ordinary activities before taxation	6.1	(107,565)
Tax on loss on ordinary activities	6.2	—
Loss on ordinary activities after taxation	6.7	<u>(107,565)</u>

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

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

5. BALANCE SHEET

		<i>At 12 February 2001</i>	
	<i>Notes</i>	<i>£</i>	<i>£</i>
Fixed assets			
Tangible assets	6.3		3,292
Current assets			
Debtors	6.4	16,522	
Cash at bank and in hand		<u>991,522</u>	
		1,008,044	
Creditors: amounts falling due within one year	6.5	<u>(153,585)</u>	
Net current assets			<u>854,459</u>
Total assets less current liabilities			<u>857,751</u>
Capital and reserves			
Called up share capital	6.6		81,807
Share premium account	6.7		883,509
Profit and loss account	6.7		<u>(107,565)</u>
Shareholders' funds – equity interests	6.8		<u>857,751</u>

**6. NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED
12 FEBRUARY 2001**

6.1 Operating loss is stated after charging

	£
Depreciation of tangible assets	366
Auditors' remuneration	2,000
	<u> </u>

6.2 Taxation

No provision for tax is required on the basis of these financial statements.

6.3 Tangible fixed assets

	<i>Fixtures, fittings equipment</i>
	£
Cost	
At 12 April 2000	—
Additions	3,658
At 12 February 2001	<u>3,658</u>
Depreciation	
At 12 April 2000	—
Charge for the period	366
At 12 February 2001	<u>366</u>
Net book value	
At 12 February 2001	<u>3,292</u>

6.4 Debtors

	£
Other debtors	6,472
Prepayments and accrued income	10,050
	<u>16,522</u>

6.5 Creditors: amounts falling due within one year

	£
Taxes and social security costs	33,125
Accruals and deferred income	120,460
	<u>153,585</u>

6.6 Share capital

	£
Authorised	
100,000,000 Ordinary shares of 1p each	<u>1,000,000</u>
Allotted, called up and fully paid	
8,180,706 Ordinary shares of 1p each	<u>81,807</u>

6.7 Statement of movements on reserves

	<i>Share Premium Account</i> £	<i>Profit and loss account</i> £
Retained loss for the period	–	(107,565)
Premium on shares issued during the period	1,041,411	–
Share premium – New issue expenses		
Written off	(98,902)	–
Bonus issue of shares	(59,000)	–
Balance at 12 February 2001	<u>883,509</u>	<u>(107,565)</u>

6.8 Reconciliation of movements in shareholders' funds

	£
Loss for the financial period	(107,565)
Proceeds from issue of shares	1,064,218
Cost of share issue written off to share premium account	(98,902)
Net addition to shareholders' funds	<u>857,751</u>
Opening shareholders' funds	–
Closing shareholders' funds	<u>857,751</u>

6.9 Directors' emoluments

	£
Emoluments for qualifying services	<u>60,000</u>

6.10 Employees

Number of employees

There were no employees during the period apart from the directors.

Employment costs

	£
Wages and salaries	60,000
Social security costs	6,607
	<u>66,607</u>

6.11 Control

The Company is controlled by C. Semler and N. M. Hampson.

6.12 Related party transactions

During the period Reachpress Limited, a company controlled by N. M. Hampson, incurred the initial start up costs of the business which were subsequently recharged to the Company. The payment made in the period totalled £50,703 and there was no amount due at the end of the period.

7. CASH FLOW STATEMENT FOR THE PERIOD ENDED 12 FEBRUARY 2001

	£	£
Net cash inflow from operating activities		29,864
Capital expenditure		
Payments to acquire tangible assets	(3,658)	
Net cash outflow for capital expenditure		(3,658)
Net cash inflow before management of liquid resources and financing		26,206
Financing		
Issue of ordinary share capital	1,064,218	
Cost of share issue	(98,902)	
Net cash inflow from financing		965,316
Increase in cash in the period		<u>991,522</u>

7.1 Reconciliation of operating loss to net cash inflow from operating activities

	£
Operating (loss)	(107,565)
Depreciation of tangible assets	366
Increase in debtors	(16,522)
Increase in creditors within one year	153,585
Net cash inflow from operating activities	<u>29,864</u>

7.2 Reconciliation of net cash flow to movement in net funds

	£
Increase in cash in the period	991,522
Movement in net funds in the period	991,522
Opening net funds	—
Closing net funds	991,522

Nature of Financial Information

The financial information presented does not constitute statutory accounts (as defined by Section 240 of the Companies Act 1985) for the period. No statutory accounts have been either prepared or delivered to the Registrar of Companies.

Yours faithfully,

Jeffreys Henry

Chartered Accountants and Registered Auditors

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

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

2. INCORPORATION

- 2.1 The Company was incorporated in England and Wales on 12 April 2000 as a private limited company under the Companies Act 1985 with the name Pinco 1404 Limited with registered number 3970757. On 14 April 2000 the Company changed its name to SemlerHampson Limited and on 14 June 2000 the issued and unissued share capital of the Company was sub-divided into ordinary shares of 1 pence each and the authorised share capital of the Company was increased from £1,000 to £1,000,000 by the creation of 99,900,000 additional ordinary shares of 1 pence each.
- 2.2 On 4 December 2000 the Company changed its name to Noanoo Limited and on 7 December 2000 the Company capitalised the sum of £59,000 being part of the amount standing to the credit of the share premium account by way of a bonus issue of 5,900,000 unissued ordinary shares of 1 pence each to all shareholders in the proportions in which they held ordinary shares.
- 2.3 The Company was re-registered as a public limited company under the Companies Act 1985 on 7 February 2001.
- 2.4 On 7 February 2001, the Company issued 2,045,176 new ordinary shares of 1 pence each in the capital of the Company at a subscription price of 49 pence per share pursuant to the terms of a private placing. On 14 February 2001, the Company changed its name to Lilestone Plc.
- 2.5 The Company's registered office is at 5-7 Cranwood Street, London EC1V 9EE.
- 2.6 The Company is subject to the provisions of the Act. The liability of the members is limited.

3. SHARE CAPITAL OF THE COMPANY

- 3.1 The authorised and issued share capital of the Company at the date of this prospectus and following completion of the Offer (assuming full subscription) is as follows:-

	<i>Authorised</i>		<i>Issued fully paid</i>	
	<i>Number of</i>		<i>Number of</i>	
	<i>Ordinary</i>		<i>Ordinary</i>	
	<i>Shares</i>	<i>£</i>	<i>Shares</i>	<i>£</i>
Current	100,000,000	1,000,000	8,180,706	81,807.06
Proposed	100,000,000	1,000,000	10,225,882	102,258.80

- 3.2 The Company is aware of the following interests in 3 per cent. or more of its existing issued ordinary share capital as at 15 February 2001 (being the latest practicable date prior to the date of this document):

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>
Charlotte Semler*	2,688,009	32.12%
Nina Hampson	2,607,600	31.87%
Sinjul Nominees Limited	1,020,408	12.47%
The Semler Trust SG Hambros Jersey*	920,330	11.25%
ectwo.com plc	510,204	6.24%

*Charlotte Semler is also interested in the 920,330 ordinary shares held by The Semler Trust SG Hambros Jersey, which is a discretionary family trust, of which she is a potential beneficiary.

3.3 Save as disclosed in this document:

3.3.1 no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

3.3.2 no issue of Ordinary Shares will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting.

3.4 On 14 June 2000, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £1,000,000 such authority to expire on 14 June 2005.

3.5 On 14 June 2000, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any such allotment provided that such power be limited to the allotment of equity securities up to an aggregate nominal amount of £1,000,000.

3.6 On 7 December 2000 the Company entered into a share option agreement with Peder Bertelsen pursuant to which the Company granted Peder Bertelsen an option to subscribe for up to 253,011 new ordinary shares of 1 pence each in the capital of the Company. The option is exercisable in whole or in part at a subscription price of 49 pence per share at any time prior to 7 February 2006 after which, if it is not exercised, the option will lapse.

3.7 On 7 December 2000 the Company entered into a share option agreement with Daniel Stewart pursuant to which the Company granted Daniel Stewart an option to subscribe for up to 522,172 new ordinary shares of 1 pence each in the capital of the Company. The option is exercisable in whole or in part at a subscription price of 49 pence per share at any time prior to 7 February 2006 after which, if it is not exercised, the option will lapse.

3.8 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.

3.9 On 7 February 2001, the Company completed a private placing exercise pursuant to which the sum of £1,002,136 before expenses was raised by the subscription by investors for 2,045,176 new ordinary shares of 1 pence each in the capital of the Company at a subscription price of 49 pence per ordinary share.

3.10 The Directors and The Semler Trust SG Hambros Jersey have undertaken to the Company and Daniel Stewart not to dispose of any of their holdings of Ordinary Shares before the first anniversary of Admission except where a general or partial offer is made to all shareholders of the Company and in exceptional circumstances upon the prior written approval of Daniel Stewart.

4. DIRECTORS' AND OTHER INTERESTS

4.1 The names of the Directors and their functions are given below:

Peder Ole Bertelsen (Non- Executive Chairman);
Charlotte Semler (Executive Director);
Nina Martine Hampson (Executive Director);

all of 97 Mortimer Street, London W1N 7TA.

4.2 The interests (all of which are beneficial save where otherwise stated) of the Directors in the Ordinary Shares as they will appear in the register maintained under Section 325 of the Act notifiable to the Company pursuant to Section 324 or 328 of the Act and persons connected (within the meaning of Section 346 of the Act) as at 15 February 2001 (being the latest practicable date prior to the date of this document) are as follows:

Current Shareholdings

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>
Peder Bertelsen*	nil	nil
Charlotte Semler**	2,628,009	32.12%
Nina Hampson	2,607,600	31.87%

*Peder Bertelsen has been granted an option to subscribe for up to 253,011 new ordinary shares of 1 pence each in the capital of the Company, further details of which are set out in paragraph 3.6 above.

** Charlotte Semler is also interested in the 920,330 ordinary shares held by The Semler Trust SG Hambros Jersey (details of which are set out in paragraph 3.2 above), which is a discretionary family trust, of which she is a potential beneficiary.

4.3 Save as disclosed herein none of the Directors has or has had an interest in any transaction effected by any shareholder of the Company which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effecting during the current year or any earlier financial year and remains in any respect outstanding or unperformed.

4.4 The aggregate of the remuneration granted to the Directors in respect of the Company's current financial year is estimated, under the arrangements in force at the date of this document, to be approximately £90,000.

4.5 There will be no variation in the total emoluments receivable by the Directors as a result of the Offer.

4.6 Save as disclosed therein, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.

4.7 The services of the Directors are provided to the Company under the following agreements:-

- (i) On 7 December 2000, Charlotte Semler entered into a service agreement with the Company pursuant to which she is employed as an Executive Director of the Company at an annual salary (subject to review) of £45,000. The agreement is for a fixed term of 1 year from 1 May 2000 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice in writing.
- (ii) On 7 December 2000, Nina Hampson entered into a service agreement with the Company pursuant to which she is employed as an Executive Director of the Company at an annual salary (subject to review) of £45,000. The agreement is for a fixed term of 1 year from 1 May 2000 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice in writing.
- (iii) On 15 February 2001, Peder Bertelsen entered into an agreement with the Company pursuant to which he is employed as Non Executive Chairman of the Company. The agreement is for a fixed term of 6 months from 25 August 2000 and continues thereafter until terminated by either

party giving to the other not less than 6 months' notice in writing. Peder Bertelsen receives no remuneration under the terms of this agreement but has been granted an option by the Company, the details of which are set out in paragraph 3.6 above.

- 4.8 Save for the Company, the Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

Current Directorships

Peder Bertelsen	Striber Management Services Limited OPB Consulting Limited Flagstone Estates Limited
Charlotte Semler	None
Nina Hampson	Reachpress Limited

Former Directorships

Peder Bertelsen	Striber Distribution Limited Striber Retailing Limited Alfet Limited
Charlotte Semler	Lowe Howard Spink Semler Holdings AS (Danish)
Nina Hampson	None

- 4.9 Save as set out in paragraph 4.8, no Director has:

- (i) any unspent convictions;
- (ii) had a bankruptcy order made against him/her or entered into an individual voluntary arrangement;
- (iii) been a director of a company or a partner in any firm which, at that time or within 12 months after ceasing to be a director or partner (as the case may be), had a receiver appointed, or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into any company or partnership voluntary arrangements or made any composition or arrangement with its creditors;
- (iv) had any public criticism against him/her by any statutory or regulatory authority (including recognised professional bodies); or
- (v) been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

5. PREMISES

The head office of the Company is at 97 Mortimer Street, London W1N 7TA.

6. SUBSIDIARIES

The Company has no subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since incorporation which are or may be material:

- 7.1 a corporate adviser and sponsor engagement letter dated 27 November 2000 between the Company (1) and Daniel Stewart (2) pursuant to which the Company appointed Daniel Stewart to act as corporate adviser for the purpose of a private placing and an offer for subscription of new Ordinary Shares together with a proposed admission to trading on OFEX. The Company agreed to pay Daniel Stewart a fee of £5,000 plus VAT on execution of the engagement letter, a fee of £10,000 plus VAT and disbursements on submission of documentation to OFEX and a fee of £10,000 plus VAT on the Company being admitted to trading on OFEX. Commission of 5 per cent. of the sums raised pursuant to the Private Placing and any offer of subscription are payable by the Company to Daniel Stewart together with the issue of an option, details of which are set out in paragraph 3.7 above; and
- 7.2 the option agreements referred to in paragraphs 3.6 and 3.7 above.

8. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 8.1 The Company's primary object is that of a trading commercial company.
- 8.2 The Articles of Association of the Company contain provisions inter alia, to the following effect:

(a) Share capital

The Company may by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

(b) Voting

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

(c) Dividends

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such

interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid pro rata according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

(d) Modification of Rights

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

- (i) in such manner (if any) as may be provided by such rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value 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 that class, but not otherwise. To every such meeting all the provisions of the Articles of Association of the Company relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

(e) Transferability

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent in nominal value of the issued

shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

(f) Directors of the Company

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Directors may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director may, if eligible, offer himself for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any Director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

(g) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein or the sum of £1,500,000.

(h) Distribution of assets on liquidation

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

(i) *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

9. SHARE OPTION SCHEME

The following summary gives the principal terms of The Lilestone plc Unapproved Share Option Scheme for Directors and employees of the Company pursuant to which they may be granted rights to subscribe for ordinary Shares of 1 pence each in the capital of the Company. The Scheme has the following main features.

- 9.1 The Unapproved Share Option Scheme was adopted by the Board on 7 December 2000. As at the date of Admission no options have been granted under the terms of the Scheme.
- 9.2 The Unapproved Share Option Scheme is not designed to be capable of approval by the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1998.
- 9.3 The aggregate number of Ordinary Shares for which options may be granted under the Scheme, and any other schemes for directors and employees of the Company (including any options granted under the enterprise management incentives legislation contained in the Finance Act 2000), at any time shall be limited so that it shall not exceed 15 per cent. of the issued ordinary share capital of the Company at the relevant time (assuming that all such options have been exercised).
- 9.4 Options are currently satisfied by the allotment of Ordinary Shares. The exercise price of an option is such price as determined by the Board although it shall not be less than the nominal value of an ordinary share. An option may be exercised in whole (but not in part unless the exercise is in respect of a number of shares being not less than 25 per cent. of the number of shares over which the relevant option was exercised).
- 9.5 Options are not transferable, nor are they pensionable, and may only be exercised by the persons to whom they are granted. Options may normally be exercised between the second and tenth anniversaries of the date of grant by a person who is a director or employee on the date of exercise. No performance conditions are required to be met. If the holder of an option ceases to be an eligible employee for any reason other than voluntary resignation (other than where there is constructive dismissal) or serious misconduct, the holder may exercise any subsisting option or part thereof within 6 months from the date of cessation. If the holder of an option ceases to be an eligible employee by reason of bankruptcy or dismissal for serious misconduct options shall lapse with immediate effect unless the Directors in their absolute discretion notify the holder that he/she may exercise any subsisting option, in whole or in part, within six months from the date thereof. Where the holder of an unexercised option dies before exercising that option, to the extent that it has vested, it may be exercised by his personal representatives within 12 months of the date of this death. Options may also be exercised in the event of a voluntary winding-up of the Company. Options will normally lapse on the expiry of the tenth anniversary after the date of the grant.
- 9.6 Ordinary Shares allotted on the exercise of an option will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares allotted on the exercise of an option shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- 9.7 In the event of any variation of the share capital of the Company, the number of ordinary shares subject to options and/or the option price shall be adjusted by the Board in such manner as confirmed by the Company's auditors to be fair and reasonable.
- 9.8 The Board has the power to amend the provisions of the Scheme provided that no amendment may materially affect the rights of an option holder in respect of an option granted prior to the amendment being made and provided that any amendments to the advantage of existing or future participants (except for minor amendments) are sanctioned by ordinary resolution of the shareholders of the Company.

10. LITIGATION

The Company is not, nor has it been involved in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on its financial position nor are any such proceedings pending or threatened against the Company.

11. UNITED KINGDOM TAXATION ON DIVIDENDS

Individual shareholders who are resident in the United Kingdom for tax purposes will be liable to income tax on the aggregate of the dividend received and the related tax credit. The tax credit for individual shareholders will be one ninth of any dividend paid and is not repayable. The tax credit will be available to set against this liability. For shareholders who are liable to tax only at the lower or basic rate (currently 22 per cent.) the tax credit will fully discharge the income tax liability in respect of the dividend. Shareholders who are liable to tax at the higher dividend rate (32.5 per cent. from April 1999) will have to account for further income tax of 22.5 per cent. on the gross dividend.

United Kingdom resident corporate shareholders will normally (subject to exceptions) not be liable to United Kingdom corporation tax on any dividend received. No claim for repayment of a tax credit can be made in relation to a dividend paid to a pension fund or venture capital trust. Special transitional rules will apply to charities.

Non UK resident shareholders may be subject to foreign taxation in respect of the dividend received from the Company under the law of their own country of residence. Such shareholder should consult their own tax advisers concerning their tax liabilities both in the United Kingdom, and their country of residence, on whether they can benefit from all or any part of any tax credit and whether a relief or credit may be claimed in the jurisdiction in which they are resident.

If you are in any doubt as to our tax position, you should contact your professional adviser without delay.

12. EIS TAX RELIEF

Set out below are summaries of the main provisions of the EIS so far as it is relevant to the Company and investors, as set out in the Income and Corporation Taxes Act 1988 (as amended). It does not set out the provisions in full and potential investors are strongly advised to seek independent professional advice.

EIS tax relief consists of a number of income tax and capital gains tax elements and these are summarised below. Income tax relief and capital gains tax exemption may be available (see below) provided the shares have been held for a minimum of three years (previously five years) from the date of issue or the commencement of trading if later. The reduction in the holding period from five years to three years was introduced in the Finance Act 2000.

12.1 Income Tax Relief

Qualifying individuals may deduct an amount equal to tax at the lower rate on the amount subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year on which shares were issued subject to an overall maximum of £150,000 per annum. The relief is presently obtained at a rate of 20 per cent. It does not matter whether the individual is UK resident for tax purposes but relief is only available when an investor has a UK income tax liability. The amount of the income tax relief cannot exceed an individual's tax liability before certain other reliefs. Up to half of this relief (and not exceeding £25,000) can be carried back to the previous tax year if the shares are issued between 6 April and 5 October.

12.2 Capital Gains Tax Exemption

To the extent that EIS income tax relief is given and not withdrawn and on the assumption that shares were originally subscribed from the Company, there is no capital gains tax due on gains arising on the disposal of the shares in the Company provided these have been held for a minimum of three years from the date of issue or the commencement of trading if later. However any previous gains deferred by reinvesting in EIS shares remains chargeable.

12.3 *Capital Gains Tax Deferral*

Liability to capital gains tax arising from the disposal of any asset may be deferred by investing the gain (or part of the gain) in the shares of a qualifying company. The investment must be made within a time period beginning one year before and ending three years after the original disposal.

12.4 *Loss Relief*

Where a loss is incurred by an investor on the first disposal of his shares the loss calculated after deducting EIS tax relief from the cost of the investment may be set against either chargeable gains or taxable income at the election of the investor.

12.5 *Individuals Qualifying for Relief*

Subject to certain exemptions to qualify for the income tax relief an individual must not be, nor has been with the two years prior to the issue of shares, connected with a company, or become connected with it within the next three years (or three years from the commencement of trading if later), if he is to retain the tax reliefs. The main rules relating to connection are that:-

- (a) neither the individual nor his associates may control the company or possess more than 30 per cent. of the issued ordinary share capital or loan capital or voting powers in the company or rights carrying entitlement to 30 per cent. of the assets available for distribution on a winding-up;
- (b) neither the individual nor his associates may be an employee, partner or paid director of the company (subject to (c) below) or its subsidiaries. An unpaid director is not disqualified if he is reimbursed travel or subsistence expenses which would otherwise be allowable for taxation; and
- (c) an individual may become a paid director of the company provided at the time he subscribes for eligible shares he was not, and has not previously been, otherwise connected with the company nor with the trade carried on by the company. Any remuneration paid to a director must be reasonable.

12.6 *Claims*

Investors claim income tax relief by submitting a tax certificate (form EIS3) issued to them by the Company to the Inspector of Taxes dealing with their own tax affairs. The claim for relief must be made no later than five years after 31 January following the end of the tax year in which the shares were issued.

12.7 *Limits of Relief*

The maximum income tax relief available to an individual who has subscribed for eligible shares is based on the maximum investment of £150,000 in any one tax year. The tax relief can be spread between any number of EIS qualifying companies. To qualify for EIS relief a company must have gross assets of less than £15,000,000 before the issuance of the shares and not more than £16,000,000 after the issuance.

12.8 *Withdrawal of Relief*

If the Company ceases to carry on its qualifying trade, the relief will be withdrawn. Relief will also be wholly or partly withdrawn if, for example, the claimant receives value from the Company (excluding dividends) or disposes of the shares within three years of the date of issue or the commencement of trade if later. Relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

12.9 *EIS Tax Relief Certificates*

Following the issue of the New Ordinary Shares, the Company must apply to the Inland Revenue for authorisation to issue tax relief certificates (form EIS3) to investors. Although the time taken by the Inland

Revenue to grant authorisation cannot be controlled by the Company, every effort will be made by the Directors to expedite matters and as soon as authorisation is given, form EIS3 will be distributed to investors. Investors should then submit the form EIS3 to the Inspector of Taxes dealing with their own affairs.

Any person who is in any doubt as to his taxation position, or is subject to taxation in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

13. GENERAL

- 13.1 The expenses of the Offer are estimated at £80,000 excluding VAT and before the deduction of any commissions which may be payable by the Company. Commissions of up to five per cent of the aggregate value of New Ordinary Shares subscribed may be payable by the Company to persons who subscribe or procure or agree to procure subscribers for the New Ordinary Shares. On the basis of the Minimum Amount and of full subscription, such commissions will be a maximum of £25,000 and £75,672 (both exclusive of VAT) respectively.
- 13.2 Except as stated in this prospectus, there are no significant investments in progress by the Company.
- 13.3 Except as stated in this prospectus, no exceptional factors have influenced the Company's activities.
- 13.4 Except as stated in this prospectus, the Company is not dependent on any intellectual property rights, licences or particular contracts, where any of these are of fundamental importance to the Company's business.
- 13.5 Jeffreys Henry Chartered Accountants, have given and not withdrawn their consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.
- 13.6 Daniel Stewart & Company Plc has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.7 Except as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Company since 15 February 2001, the date to which the latest audited financial statements were made up and the accountants' report set out in Part III of this document has been prepared.
- 13.8 Except as disclosed in this prospectus and for the advisors named on page 3 of this prospectus, no person has received, directly or indirectly, from the Company within 24 months preceding the Company's application for admission to OFEX or has entered into contractual arrangements to receive, directly or indirectly, from the Company on or after admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to their nominal value or any other benefit to a value of £10,000 or more.
- 13.9 The Offer Price of 74 pence per New Ordinary Share is at a premium of 73 pence for each New Ordinary Share above the nominal value of each New Ordinary Share.
- 13.10 The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of Section 240 of the Act.
- 13.11 The Minimum Amount which, in the opinion of the Directors, must be raised by the Offer is £500,000 to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of the Public Offer of Securities Regulations 1995 in respect of each of the following:
- | | |
|--|-----------|
| (a) the purchase price of property | £nil; |
| (b) commissions and expenses (including VAT) | £123,375; |
| (c) repayment of borrowings | £nil; and |
| (d) working capital | £376,625. |

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Offer.

14. AVAILABILITY OF THIS DOCUMENT

- 14.1 Copies of this document will be available from the date of this document free of charge to the public on any week day (excluding Saturdays) at the offices of Daniel Stewart & Company Plc, 48 Bishopsgate, London EC2N 4AJ and at the offices of Finers Stephens Innocent, Solicitors, 179 Great Portland Street, London W1N 6LS for a period of not less than 21 days.

Dated: 16 February 2001.

PART V

DETAILS OF THE OFFER

1. TERMS OF THE OFFER

The Company is offering 2,045,176 New Ordinary Shares at 74 pence per share payable in full on application. Applications must be for a minimum of 1,000 New Ordinary Shares at a cost of £740 or any greater number in multiples of 500 New Ordinary Shares.

The contract created by the acceptance of applications under the Offer will be conditional upon the Company's application to join OFEX being accepted and upon valid applications being received for the Minimum Amount by Capita IRG Plc by 3.00 p.m. on 28 March 2001.

The New Ordinary Shares will be offered free of expenses and will rank equally in all respects with the Ordinary Shares presently in issue, including the right to all dividends and other distributions declared, paid or made after the date of their issue.

2. APPLICATION AND PAYMENT

The Application Form which accompanies this prospectus contains full details regarding application and payment.

Applicants must lodge the Application Form, together with a remittance for the full amount payable on application, with New Issues Department, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU ("IRG") prior to 3.00 p.m. on 6 April 2001. Applicants should note that the Directors may close the Offer immediately if it is fully subscribed, should this be prior to 6 April 2001.

All payments must be made by cheque or banker's draft in pounds sterling drawn on a bank of building society in the United Kingdom, which is either a settlement member of the Cheque and Credit Clearing Company Limited, or the CHAPS and Town Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by those companies or committees. All such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner.

Cheques or banker's drafts should be made payable to "Capita IRG Plc A/C Lilestone Plc" and crossed "Not negotiable - A/C Payee Only". It is a term of the Offer that all cheques, which are able to be presented on receipt, will be honoured on first presentation. The Company reserves the right to seek special clearance of cheques.

The Company intends to bank all cheques and banker's drafts received with Application Forms. Application money will be held in a separate account by IRG pending allotment or return if the application is unsuccessful. No interest will be paid on any application money.

The Company reserves the right to accept Application Forms and accompanying remittances which are received through the post or by hand before midnight on 6 April 2001.

If the Offer is oversubscribed, the Directors will exercise their discretion to scale down applications.

Allotments to successful applicants will be made on reaching the Minimum Amount (and following confirmation from JP Jenkins Limited that the Company's securities will be admitted to trading on OFEX) and thereafter on the closing of the Offer which will be the earlier of attaining the maximum subscription or 6 April 2001 unless at the discretion of the Directors it is extended beyond that date and share certificates, or CREST account alterations, together with any surplus application monies, will be sent or made, as applicable, to those persons entitled within eight days after the date of allotment. Application money will be returned in whole or in part without interest to all applicants by first class post by 4 April 2001 if the Minimum Amount is not reached by 28 March 2001. In each case posting will be at the risk of the person

entitled to them. If the Offer is extended, application monies will be returned to unsuccessful applicants within seven days of the extended closing date and certificates for New Ordinary Shares will be despatched within 14 days of the extended closing date.

3. OVERSEAS SHAREHOLDERS

The Offer is only being made to persons resident in the United Kingdom. Where an application appears to be made by a person not so resident, the Directors may request the applicant to prove that he is entitled to apply under the laws of the country in which he is resident and, if they are not satisfied, the application may be rejected by the Directors.

4. MONEY LAUNDERING REGULATIONS

It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 1993, IRG may in its absolute discretion require verification of identity from any person lodging an Application Form ("applicant") including, without limitation, any applicant who:

- (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or by way of a direct credit transfer made by order of a person or persons other than the applicant; or
- (ii) appears to IRG to be acting on behalf of some other person. In either case, verification of the identity of any other person on whose behalf the applicant appears to be acting may be required. Pending the provision of evidence as to identity satisfactory to IRG, Application Forms stamped "paid" with the receipt at the foot duly completed and definitive certificates in respect of the relevant New Ordinary Shares may be retained in the absolute discretion of IRG. If within a reasonable period of time following a request for verification of identity, IRG has not received evidence satisfactory to it as described, the Directors may, in their absolute discretion, terminate the contract to subscribe, in which event the money payable on application will be returned without interest to the account at the drawee bank to which such money was originally debited.

5. TAXATION

(a) Capital Gains Tax ("CGT")

The issue of the New Ordinary Shares by the Company will be regarded as a new holding for the purpose of United Kingdom CGT.

If successful applicants sell some or all of the New Ordinary Shares allotted to them, they may, depending on their circumstances, incur a liability to United Kingdom CGT.

(b) Stamp duty and stamp duty reserve tax

- (i) No stamp duty or stamp duty reserve will be payable on the issue of Application Forms.
- (ii) No stamp duty or stamp duty reserve tax will be payable on the registration of the original holders of Application Forms.

If you are in any doubt as to your tax position, you should contact your professional adviser without delay.

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LILESTONE PLC

(Registered in England and Wales under company number 3970757)

APPLICATION FORM

Issue of up to 2,045,176 New Ordinary Shares of 1 pence each at 74 pence per share

Payable in full on application

PROCEDURE FOR APPLICATION

1. Insert at A the number of shares for which you are applying, together with the amount of your cheque or credit transfer. Applications should be for 1,000 or more New Ordinary Shares at a cost of £740 or any greater number in multiples of 500 New Ordinary Shares.
2. Completion in full details as requested at B and sign.
3. The completed application form together with your cheque for the full amount payable on application should be sent to New Issues Department, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 3.00 p.m. on 6 April 2001.

A.

Total number of shares applied for	Total enclosed at 74 pence per share
	£

To the Directors:

I/We offer to subscribe for the number of shares stated above, subject to the memorandum and articles of association of the Company. I/We enclose payment/have arranged for a direct credit transfer for the above mentioned sum, being the amount payable in full on application for the stated number of shares. I/We understand that the completion and delivery of this application form accompanied by a cheque constitute an undertaking that the cheque will be honoured on first presentation and an acceptance of the other terms and procedures for application set out in the prospectus dated 16 February 2001 ("Prospectus"). I/We understand that no application will be accepted unless and until payment in full for the shares has been made. I/We agree to accept a lower number of shares should the Offer be oversubscribed. I/We declare that I/we am/are resident in the United Kingdom.

B. PLEASE USE BLOCK CAPITAL

Mr/Mrs/Miss/Ms.....

Forenames (in full)

Surname

Address (in full).....

Home TelDay Tel

Signature.....Date

CREST participant identification No.....

(if applicable)

Name of joint Applicant if necessary

Mr/Mrs/Miss/Ms.....

Forenames (in full)CREST account identification No

Surname

Address (in full).....

Home TelDay Tel

Signature.....Date

TERMS OF APPLICATION

This Offer is only being made to persons resident in the United Kingdom. Where an application appears to be made by a person not so resident, the Directors may request the applicant to prove that he is entitled to apply under the laws of the country in which he is resident and, if they are not satisfied, the application may be rejected by the Directors.

The application form should be completed and sent to New Issues Department, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 3.00 p.m. on 6 April 2001. The expressions used in this application form have the same meaning as in the prospectus, unless the context otherwise requires, and applicants are recommended to read the prospectus carefully before completing this Application Form.

Each application must be made on an Application Form and be accompanied by a separate cheque or banker's draft drawn in sterling on a bank of building society in the United Kingdom, which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by those companies or committees and must bear the appropriate sort code in the top right and corner, for the full amount of the subscription money. These should be forwarded to:

New Issues Department, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Applicants are advised to allow two full business days for delivery through the post and to use first class mail. Cheques or drafts must be made payable to "Capita IRG Plc A/C Lilestone Plc" and crossed "A/C Payee Only". Cheques will be presented upon receipt. The Company reserves the rights to retain share certificates and any surplus money pending clearance of Applicant's cheques. Due completion and delivery of the Applicant Form accompanied by a cheque will constitute an undertaking that the cheque will be paid on first presentation. Applications will be irrevocable.

The right is reserved to reject any application or to accept any application in part only. The right is also reserved to treat as valid any application which does not fully comply with the conditions set out in the Application Form. If any application is not accepted in whole or in part, the amount paid on application will be returned, in each case by cheque sent through the post at the Applicant's risk.

The subscription list will be closed at 3.00 p.m. on 6 April 2001, provided that the Minimum Amount as been received by 3.00 p.m. on 28 March 2001, unless at the discretion of the Directors it is extended beyond that date. The Directors may shorten the closing date provided that the Minimum Amount is received.

Applications may be made by nominees on behalf of individuals.

Definitive share certificates in respect of New Ordinary Shares will be despatched at the risk of the person entitled to them by post to the person in whose name the shares are to be issued and CREST accounts will be altered where appropriate.