

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

This document is drawn up in compliance with the Public Offers of Securities Regulations 1995 ("the Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration pursuant to Regulation 4(2) of the Regulations. To the best of the knowledge 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 there is no other material information the omission of which is likely to affect the import of such information. The Directors, whose names are set out on page 3, accept responsibility for the contents of this document accordingly.

Application will be made for the issued Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is expected that admission will become effective and that dealings in the Ordinary Shares will commence on 28 March 2001. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than that associated with established companies. AIM securities are not Officially Listed. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document.

Contemporary Enterprises plc

(Registered in England No. 4101777)

Placing of 2,100,000 Ordinary Shares at 50p per share

and

Admission to trading on the Alternative Investment Market

Nominated Adviser and Broker

Peel Hunt plc

Share capital immediately following the Placing

Authorised		Ordinary Shares of 50p each	Issued	
Number	£		Number	£
4,000,000	2,000,000		2,200,000	1,100,000

Peel Hunt plc, which is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange, is the Company's Nominated Adviser and Broker for the purposes of the AIM Rules and is acting exclusively for the Company in connection with the Placing. Peel Hunt plc will not be responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt plc or for advising any other person on the Placing and the arrangements described in this document. Its responsibilities as the Company's Nominated Adviser and Broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. No representation or warranty, express or implied, is made by Peel Hunt plc as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Placing is conditional, *inter alia*, on Admission taking place on or before 28 March 2001 (or such later date as the Company and Peel Hunt plc may agree). The Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

The whole text of this document should be read. The Company is a newly formed company with no existing business record. Your attention is drawn to the risk factors set out on page 10.



CONTENTS

	<i>Page</i>
DIRECTORS AND ADVISERS	3
DEFINITIONS	4
PLACING STATISTICS AND EXPECTED TIMETABLE	6
PART I INFORMATON ON CONTEMPORARY ENTERPRISES	7
1. Introduction and history	7
2. Strategy	7
3. Reasons for the Placing and Admission	8
4. The Placing	8
5. Warrants	8
6. Directors and senior management	9
7. Share Option Scheme	9
8. Corporate governance	9
9. Lock-in arrangements	10
10. Dividend policy	10
11. CREST	10
12. Risk factors	10
PART II FINANCIAL INFORMATION	12
PART III GENERAL INFORMATION	14

DIRECTORS AND ADVISERS

Directors	Henry Edwards, Anthony Edwards, Ken Tinkler <i>all of</i>	<i>Executive Chairman</i> <i>Executive Director</i> <i>Non-executive Director</i>
Registered Office	19 Cavendish Square London W1A 2AW	
Company Secretary	Sam Marshall	
Nominated Adviser and Broker	Peel Hunt plc 62 Threadneedle Street London EC2R 8HP	
Solicitors to the Company	Howard Kennedy 19 Cavendish Square London W1A 2AW	
Solicitors to the Placing	Hammond Suddards Edge 7 Devonshire Square Cutlers Gardens London EC2M 4YH	
Auditors and Reporting Accountants	BDO Stoy Hayward The Heights 59-65 Lowlands Road Harrow Middlesex HA1 3AU	
Registrars	Capita IRG Balfour House 390/ 398 High Road Ilford Essex IG1 1NQ	

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission"	the admission of the entire issued ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules of the London Stock Exchange relating to AIM
"Board" or "Directors"	the directors of the Company, whose names are set out on page 3 of this document
"Combined Code"	the Principles of Good Governance and Code of Best Practice (derived by the Committee on Corporate Governance from the Committee's Final Report and from the Cadbury and Greenbury Reports) included within The Listing Rules of the Financial Services Authority in its capacity as the UK Listing Authority
"Company" or "Contemporary Enterprises"	Contemporary Enterprises plc
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by CRESTCo Limited
"London Stock Exchange"	London Stock Exchange plc
"Enlarged Issued Share Capital"	the 2,200,000 Ordinary Shares in issue at Admission
"General Warrants"	warrants to subscribe for Ordinary Shares in favour of Henry Edwards, Anthony Edwards and Ron de Young as described in paragraph 5(b) of Part III of this document
"General Warrant Instrument"	the instrument by way of deed poll of the Company dated 20 March 2001 creating the General Warrants
"Official List"	the Official List of the Financial Services Authority in its capacity as the UK Listing Authority
"Ordinary Shares"	ordinary shares of 50p each in the Company
"Peel Hunt"	Peel Hunt plc
"Peel Hunt Warrant"	warrant to subscribe for Ordinary Shares in favour of Peel Hunt as described in paragraph 5(a) of Part III of this document
"Peel Hunt Warrant Instrument"	the instrument by way of deed poll of the Company dated 20 March 2001 creating the Peel Hunt Warrant
"Placees"	each of the persons to whom Placing Shares are issued pursuant to the Placing
"Placing"	the placing of 2,100,000 Ordinary Shares by Peel Hunt at 50p per share as set out in this document
"Placing Agreement"	the agreement dated 20 March 2001 between the Company, Peel Hunt and the Directors described in paragraph 6(a) of Part III
"Placing Price"	50p per Ordinary Share
"Placing Shares"	the 2,100,000 Ordinary Shares which are to be issued pursuant to the Placing
"Prospectus"	this document compiled in compliance with the Regulations and the AIM Rules

“Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986
“Warrants”	the Peel Hunt Warrant and the General Warrants

PLACING STATISTICS

Number of Placing Shares being issued	2,100,000
Placing Price	50p
Number of Ordinary Shares in issue following the Placing	2,200,000
Market capitalisation at the Placing Price	£1,100,000
Net proceeds of the Placing receivable by the Company	£970,000

EXPECTED TIMETABLE

<i>Publication date of Prospectus</i>	20 March 2001
Payment to be received from Placees in cleared funds	23 March 2001
Admission effective and dealings expected to commence	28 March 2001
Share certificates in respect of Placing Shares despatched by	4 April 2001
CREST stock accounts credited (as applicable)	28 March 2001

PART I

INFORMATION ON CONTEMPORARY ENTERPRISES

1. Introduction and history

Contemporary Enterprises is a new company, which has been established to develop, through acquisition, a business services consultancy group focusing on the provision of new methods, associated skills and systems to established businesses within the hotels, catering and drinks industry in the United Kingdom, drawing on the experience of the Directors. The purpose of the Placing is to provide the Company with the necessary funds to establish such a group and strategy.

2. Strategy

Although the Company will have no trading business on Admission, the Directors intend to seek to acquire a single company or group in the business services consultancy sector and then seek to acquire other companies operating in related sectors as and when appropriate. The Directors anticipate that such an acquired business would have a focus on providing information technology and systems consultancy services to companies operating within the hotels, catering or drinks sector. Such consultancy services would involve the review of a company's existing operating methodologies, management information and reporting systems and the implementation of new systems and methodologies using either proprietary, bespoke or off-the-shelf software solutions. The Directors aim to combine their collective experience of the hotel, catering and drinks sector with the technology skills of the management team from the acquired business in order to accurately focus on the individual requirements and provide added-value solutions to such companies.

The Directors anticipate that the acquisition of such a business will require consideration of between £1 million and £5 million which will be financed by, as appropriate, the issue of new Ordinary Shares as vendor consideration or the cash proceeds of an issue of new Ordinary Shares. The Directors also anticipate that approximately two-thirds of the funds raised as a result of the Placing will be available for the initial acquisition.

The Directors believe that the Board possesses skills in mergers and acquisitions and corporate management to achieve the objectives set out above. Utilising these skills, the Directors intend to identify and acquire suitable businesses based on the following criteria:

- it is expected that target businesses will be profitable and will normally operate in a sector which has consolidation opportunities;
- the owners of the target businesses will accept a large part of the consideration in new shares issued by the Company in addition to cash consideration where appropriate; and
- the target businesses will either have or will have imposed upon it by the Directors strong financial controls and administration systems.

The Directors anticipate that they would seek to retain the majority of the senior management team of any acquired company and actively work with that team on an ongoing basis, although the Directors would aim to retain voting control of the new board of directors.

The Directors are aware of a number of businesses which may represent potential acquisition opportunities for the Company following Admission. However, no discussions have taken place at present.

Due diligence will be undertaken in any target businesses as appropriate to the requirements of a quoted company and best practice in investment analysis and appraisal. The Directors intend to commission full scope accounting and legal due diligence which will be performed by suitably qualified external advisors. The Directors, supported by consultants and other experts in the appropriate field, will conduct comprehensive commercial due diligence. This will include a detailed assessment of the markets, products and customers of the target business and the development of a three-year business plan. In addition, the Directors would assess in detail the potential risks associated with a potential acquisition and would further seek external expert advice as appropriate.

It is expected that the businesses to be acquired may have greater assets, profits, turnover or capital than the Company. Therefore, should an acquisition be classified for the purposes of the AIM Rules as a reverse takeover, it would be subject to the approval of the Company's shareholders in a general meeting and would involve a suspension of trading of the Ordinary Shares from AIM pending such approval.

It is the anticipation of the Directors that the Company will make the first acquisition within two years of obtaining admission to AIM. If the Company has not made such an acquisition, the Directors will seek to return funds to shareholders.

3. Reasons for the Placing and Admission

The Company requires funds to allow it to investigate and pursue potential acquisitions of businesses that satisfy the criteria set out above. The Directors believe that the Placing is the most appropriate method of securing such funds and believe that Admission will offer the following benefits:

- *availability of quoted shares* — the issue of quoted shares as consideration for an acquisition may be more attractive to potential vendors than shares in a company which are not traded on a public exchange.
- *increased corporate profile* — the Directors believe that the status of being a member of a group whose shares are traded publicly could benefit the acquired businesses in increasing their profile with customers and suppliers.
- *incentivisation of key staff* — the opportunity to own and retain shares and incentivise staff through the use of share options is seen as particularly important by the Directors.

The funds raised by the Company in the Placing will initially be applied to examine potential acquisitions, to provide working capital and to pay the expenses of the Placing and Admission. Following Admission, the net proceeds of the Placing will be placed on deposit until required by the Company.

4. The Placing

The Placing is being made to provide working capital and funds for the strategy set out above. A total of 2,100,000 new Ordinary Shares are being conditionally placed by Peel Hunt at 50p per share as agent for the Company with various investors. The Placing Shares will rank *pari passu* with the existing Ordinary Shares. The Placing is conditional on the Company receiving the proceeds in respect of the Placing Shares in full and Admission taking place on or before 4 April 2001 (or such later date as the Company and Peel Hunt may agree, but in any event no later than 30 April 2001). Dealings in the Ordinary Shares on AIM are expected to commence on 28 March 2001.

The Placing will raise £1,050,000 before expenses and the net cash proceeds after deduction of expenses are estimated at £970,000.

It is expected that certificates in respect of the Placing Shares subscribed under the Placing will be despatched by post not later than 4 April 2001. Pending despatch of definitive share certificates, Capita IRG will certify instruments of transfer against the register. It is expected that CREST accounts will be credited on 28 March 2001, where applicable.

Further information on the Placing Agreement is given in paragraph 6 (a) of Part III of this document.

5. Warrants

Pursuant to the General Warrant Instrument, Mr H J Edwards, Mr A J Edwards and Mr R De Young, were each conditionally issued General Warrants over 100,000, 100,000 and 50,000 Ordinary Shares respectively, (representing in aggregate 11.36 per cent. of the Enlarged Issued Share Capital) at an exercise price of 50p per share.

Pursuant to the Peel Hunt Warrant Instrument Peel Hunt were conditionally issued a Warrant over 200,000 Ordinary Shares (representing 9.09 per cent. of the Enlarged Issued Share Capital) at an exercise price of 50p per share.

The main provisions of the General Warrants and the Peel Hunt Warrant are set out in paragraph 5 of Part III of this document.

6. Directors and senior management

Directors

The Directors and senior management believe that their experience and contacts will assist them in the identification and evaluation of acquisition opportunities. Brief biographical details of the Directors are as follows:

Henry John Edwards (*Chairman*), aged 77, has extensive experience in the management and operation of hotels and business service operations. From 1965 to 1978 he was chairman and managing director of Centre Hotels plc, from 1978 to 1985 he was chairman and managing director of Comfort Hotels International plc and from 1986 to 1998 he was executive chairman of Friendly Hotels plc. From 1999 to 2000 he was Chairman of Comprehensive Business Services plc.

Anthony John Edwards (*Director*), aged 46, obtained a Bsc in hotel and catering management in 1976 and an MBA in 1983. For ten years, he was involved in various executive positions in the hotel sector, holding key operational management positions with Hilton International Hotels in London and other international locations. Subsequently, he held various executive positions within the Guinness Group (now Diageo plc), including manager of corporate finance, finance director for Guinness Brewing Asia Pacific based in Singapore and business development director at Guinness Brewing, responsible for the co-ordination of strategy development and acquisitions. From 1999 to 2000 he was a Director of Comprehensive Business Services plc.

Kenneth Barry Tinkler (*Director*), aged 44, is currently consulting for London & Regional Properties Limited where he is advising on potential acquisitions for the group in the hotel industry. Between 1990 and 1999 he was employed by Stakis plc, an operator of 52 hotels 22 casinos and 16 health and leisure clubs, which was acquired by Ladbrokes in 1999 for approximately £1.5 billion. During this period he had significant experience of corporate acquisitions and disposals, including sourcing of acquisition targets and bank re-financing and was group development director between 1994 and 1999. Between 1983 and 1990 he worked at Anglian Water plc in a variety of roles including internal audit, financial accounting manager and tax and treasury manager. He qualified as an FCCA with Temple & Co in 1983.

Details of the Directors' service arrangements are set out in paragraph 4(c) of Part III of this document.

It is the intention of the Board to appoint additional executive directors on or before completion of the Company's first acquisition. Until this time, the day-to-day financial and office administration of the Company will be carried on by Anthony Edwards and Sam Marshall.

Senior management

Ron de Young, aged 61, will be director of development. He was founder and director until 1986 of London & Continental Holdings plc where he was responsible for business development, marketing and sales. London & Continental Holdings was formed by Ron in 1966 and was listed on OFEX in 1979. He is currently chairman of RDY Associates Ltd, a specialist outdoor advertising contractor and media broker.

Other than the Directors, the Secretary and Ron de Young, the Company has no other employees or consultants.

7. Share Option Scheme

The Directors believe that it will be important for the senior management and employees of those businesses that it acquires to be incentivised with a suitable share option scheme. They believe that equity incentives represent a valuable tool in attracting, retaining and rewarding the best managers, developers and scientists. On Admission, no share option scheme will exist but the Directors expect that a suitable scheme will be put in place.

8. Corporate governance

The Directors acknowledge the importance of the guidelines set out in Combined Code. The Directors intend to comply with the Combined Code, so far as is practicable given the Company's size and the constitution of the Board, once the Company has a trading business. The Directors will review the structure of the Board following the acquisition of any trading business and consider the appointment of further non-executive directors at that stage.

The Company has adopted formally the Model Code governing Directors' share dealings and will take proper steps to ensure compliance by the Directors.

9. Lock-in arrangements

On Admission, the Directors, applicable employees and persons connected with them will be interested in an aggregate of 1,071,000 Ordinary Shares representing 48.68 per cent. of the enlarged issued share capital of the Company. Details of these shareholdings are set out in paragraph 4 of Part III of this document.

In accordance with the AIM Rules, each of the Directors and applicable employees has agreed, for himself and his associates, not to dispose of any interest in Ordinary Shares held by him or his associates on the date of Admission for a period of 12 months following Admission, save in the event of an intervening court order, a take-over becoming or being declared unconditional, or the death of any such person.

10. Dividend policy

The Company has not yet commenced trading and it is therefore inappropriate to make a forecast of the likely level of any future dividends. However, the Directors intend to commence the payment of dividends when it becomes commercially prudent so to do and to pursue a progressive dividend policy in line with earnings growth, subject to the availability of distributable reserves and the need to retain funds to finance the requirements of the Company.

11. CREST

The Company's Memorandum and Articles of Association are consistent with the transfer of shares in *dematerialised form in CREST under the Uncertificated Securities Regulations 1995 and the consent of CRESTCo Limited* has been sought. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

12. Risk factors

The Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Investors and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors and prospective investors should consider carefully whether investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

The Company's objectives may not be fulfilled

There can be no guarantee that the Company will successfully acquire any businesses meeting the objectives for which it has been established.

Recruitment of suitably skilled executive directors

The success of the Company depends heavily on the expertise of the Directors, the availability of businesses that meet the Company's investments criteria and the ability of the Directors to negotiate investments on attractive terms.

The Company may not be able to recruit suitably skilled executive directors to help develop acquired companies.

Acceptability of Ordinary Shares as consideration

Although it is the Company's intention to utilise new Ordinary Shares to satisfy all or part of any consideration payable for acquisitions, vendors may not be prepared to accept shares traded on AIM.

Requirement for further funds

As the Directors have no specific acquisition targets in hand as at the date of this document, the funds raised in the Placing may be insufficient to fund any cash consideration which might be required to complete such

an acquisition or acquisitions. It may therefore become necessary for the Company to raise further funds in the future by a further issue of Ordinary Shares

Attraction and retention of key employees

The Company's success will depend on its executive management team. Whilst it has entered into contractual arrangements with the aim of securing the executive Directors (details of which are set out in paragraph 4(c) of Part III of this document) the retention of their services cannot be guaranteed.

Marketability of Ordinary Shares

AIM is not the Official List. 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 market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

The market for shares in smaller public companies is less liquid than for larger public companies. Consequently the Company's share price may be subject to greater fluctuation and the shares may be difficult to buy and sell.

The Ordinary Shares may not be suitable as a short term investment.

AIM

Application will be made for the Company's issued share capital to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document for the purposes of Admission.

EIS

Although the current intention of the Directors is, in due course, to make an application to the Inland Revenue to enable individual investors to benefit from either Capital Gains reinvestment relief or EIS relief, investors are advised that:

- the investments in the Ordinary Shares are intended to be retained for at least three years, therefore they may not be suitable as medium or short-term investments; investors will suffer a withdrawal of tax relief(s) (in whole or in part) if their investments are disposed of, or if any relevant conditions are breached within three years;
- the availability of tax relief(s) depends on the Directors being able to achieve and maintain the status of the Company as a qualifying company for EIS purposes, whilst ensuring that the commercial objectives of the Company are met; and
- the relevant tax legislation, its interpretation and rates may change.

PART II

ACCOUNTANTS' REPORT CONTEMPORARY ENTERPRISES



BDO Stoy Hayward
Chartered Accountants

The Heights 59-65 Lowlands Road
Harrow Middlesex HA1 3AU

The Directors
Contemporary Enterprises plc
19 Cavendish Square
London
W1A 2AW

20 March 2001 ✓

and

The Directors
Peel Hunt plc
62 Threadneedle Street
London
EC2R 8HP

Dear Sirs

Contemporary Enterprises plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 20 March 2001 ("the prospectus") of Contemporary Enterprises plc ("the Company").

The Company was incorporated on 3 November 2000, with the name Contemporary Enterprises plc. The Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The directors of the Company are responsible for the contents of the prospectus in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company and adequately disclosed.

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

Opinion

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

Consent

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

Financial information

The balance sheet of the Company at 28 February 2001 is as follows:

	<i>Notes</i>	<i>£</i>
Current assets		
Cash at bank and in hand		<u>1</u>
Represented by:		
Share capital	2	<u>1</u>

Notes to the financial information**1. Accounting policies**

The balance sheet has been prepared in accordance with the historical cost convention.

2. Share capital

The Company was incorporated with an authorised share capital of £50,000 comprising 100,000 Ordinary shares of 50p each. The authorised share capital was increased on 14 March 2001 to £2,000,000 by the creation of 3,900,000 additional Ordinary shares. Two Ordinary shares were allotted for cash, and fully paid, on incorporation.

Yours faithfully

BDO Stoy Hayward

Chartered Accountants and Registered Auditors

PART III

ADDITIONAL INFORMATION

1. The Company

- (a) On 3 November 2000, the Company was incorporated with the name Contemporary Enterprises PLC in England and Wales under the Act as a public company limited by shares with registered number 4101777. On 15 March 2001, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.
- (b) The Company's main activity is that of a holding company. The Company currently has no subsidiaries.
- (c) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (d) The Company's registered office is 19 Cavendish Square, London W1A 2AW.
- (e) The liability of the members of the Company is limited.

2. Share capital

- (a) The Company was incorporated with an authorised share capital of £50,000 divided into 100,000 Ordinary Shares of which two were issued.
- (b) The following is the summary of the changes in the issued share capital of the Company since incorporation:
 - (i) on 3 November 2000, two Ordinary Shares were taken up by the initial subscribers to the Memorandum of Association at par and, on 14 March 2001, one was transferred to each of Henry Edwards and Anthony Edwards.
 - (ii) on 14 March 2001, a further total of 99,998 Ordinary Shares were allotted at par to Henry Edwards, Anthony Edwards, Ron de Young and Sam Marshall.
- (c) By a Special Resolution passed on 14 March 2001 the members resolved that the Company's authorised share capital be increased from £50,000 to £2,000,000 by the creation of an additional 3,900,000 Ordinary Shares.
- (d) By a Special Resolution passed on 14 March 2001 ("the Resolution") the members resolved that, conditional upon Admission:
 - (i) the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £1,950,000 provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire on the date five years from the date of the Resolution, provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the Resolution has not expired;
 - (ii) the Directors be given power pursuant to section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the section 80 authority referred to in subparagraph (d)(i) above as if section 89(1) of the Act did not apply to any such allotment, such power to on the date five years from the date of the Resolution, the power being limited to:
 - (aa) the allotment of the Placing Shares in connection with the Placing;
 - (bb) the allotment of equity securities for cash in connection with rights issues to holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under laws of, or the requirements of any regulatory body or any recognised stock exchange in, any territory;
 - (cc) the allotment of shares pursuant to the exercise of the Warrants; and

- (dd) the allotment (other than pursuant to sub-paragraphs (aa), (bb) and (cc) above) of equity securities up to a maximum aggregate nominal amount of £1,950,000.

provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

- (e) The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be paid up in cash other than by way of allotment to employees under any employee's share scheme as defined in section 743 of the Act) apply to the authorised but unissued Ordinary Share capital of the Company to the extent not disapplied as described in subparagraph 2(d)(ii) above. This disapplication will give the Directors limited flexibility to issue shares for cash following the Placing. Subject to certain limited exceptions, unless the approval of shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing holders of Ordinary Shares on a *pro rata* basis. No such issue is presently in contemplation.
- (f) The Placing Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the Ordinary Share capital of the Company.
- (g) The Company has, subject to Admission, issued the Peel Hunt Warrant in respect of 200,000 Ordinary Shares and the General Warrants to Henry Edwards, Anthony Edwards and Ron de Young in respect of 100,000, 100,000 and 50,000 Ordinary Shares respectively. Further details of the Warrants are set out in paragraph 5 below.
- (h) Save as disclosed in this paragraph 2, no share capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.
- (i) The existing issued Ordinary Shares are and the Placing Shares will be in registered form. Otherwise than pursuant to the Placing, none of the Ordinary Shares or the Placing Shares has been sold or is available in whole or in part to the public in conjunction with the application for Admission.
- (j) The amount payable on application and allotment of each Placing Share is 50p, of which nil is payable by way of premium.
- (k) Pursuant to a resolution of the Board dated 19 March 2001, it was resolved that the Ordinary Shares should become participating securities as defined in the Uncertificated Securities Regulations 1995.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects include carrying on business as a holding company and a general commercial company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association..

The Articles of Association of the Company ("Articles") contain provisions, *inter alia*, to the following effect:

(a) Voting rights

- (i) Members shall (subject to certain provisions) have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.
- (ii) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a direction notice in the manner described in sub-paragraph (b) below.

(b) Restrictions on shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice, the Directors may serve on such member or on any such person a notice (a "direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the shares, the direction notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered (save as required by the Uncertificated Securities Regulations 1995 (SI 1995 No. 9513272) (the "Regulations")) unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that, after due and careful enquiry, the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is an approved transfer. The prescribed period referred to above is 14 days from the date of service of the notice under section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and is 28 days in all other cases.

(c) Variation of class rights and alteration of capital

- (i) If, at any time, the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act and any other act relating to companies (the "Statutes"), be modified, abrogated or varied either with the consent in writing of the holders of threefourths 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. At every such separate general meeting, the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
- (iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (iv) Subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Directors.
- (v) Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.
- (vi) Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.

(d) Transfer of shares

- (i) A shareholder may transfer any of his shares by an instrument of transfer in writing in any usual form or in another form approved by the Directors or, without a written instrument (subject to the call of shares becoming a participating security for the purposes of the Regulations), through CREST in accordance with the Regulations. The transferor will remain the holder of the share transferred until the name of the transferee is entered in the Company's register of members in respect of it.

- (ii) The Directors may refuse to register a transfer of a certificated share which is in respect of a partly paid share (provided that the discretion for such refusal may not be exercised in such way as to prevent dealings in the shares of that class from taking place on an open and proper basis), is in favour of more than four transferees, is not duly stamped (if required) or is not delivered for registration with the appropriate evidence of the transferor's title to the Company's registered office or such other place as the Directors may decide.
- (iii) The Directors are required to register a transfer of an uncertificated share (a share in CREST) in accordance with the Regulations, except that the Board may refuse (subject to any relevant requirements of the London Stock Exchange) to register any such transfer which is in favour of more than four persons jointly or in any other circumstance permitted by the Regulations.
- (iv) If the Directors refuse to register a share transfer, the Board must send notice of the refusal to the transferee within two months following the delivery of the transfer to the Company. No fee is chargeable by the Company for the registration of a share transfer. The registration of share transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may decide.

(e) Borrowing powers

- (i) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- (ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Company and any such subsidiary undertakings (in this sub-paragraph, the "Group") and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed twice the aggregate of:
 - (aa) the amount paid up on the issued share capital of the Company; and
 - (bb) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) all as shown in the latest audited and consolidated balance sheet of the Group.

(f) Dividends and distributions on liquidation to shareholders

- (i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on shares and shall be apportioned and paid proportionately to the amounts paid up on shares during any portion of the period in respect of which the dividend is paid.
- (ii) The Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company halfyearly or otherwise on fixed dates.
- (iii) No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.
- (iv) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- (v) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer shareholders the right to elect to receive new shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

- (vi) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(g) *Directors*

- (i) The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Act or by the Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Articles of the Act, and to such directions (being not inconsistent with any provisions of the Articles or of the Act) as may be given by the Company in general meeting.
- (ii) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be more than ten nor less than two. A Director shall not be required to hold any shares in the capital of the Company.
- (iii) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a vendor, purchaser or otherwise. Subject to the provisions of the Act and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.
- (iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (aa) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
 - (bb) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (cc) any proposal concerning an offer of shares in or debentures or other securities of or by the Company for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (dd) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he has disclosed the nature of that interest to the Board in accordance with section 317 of the Act;
 - (ee) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirements death or disability benefit scheme under which he may benefit and which relates to both employees and Directors and which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates;
 - (ff) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of any scheme for enabling employees including full-time Directors and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company under which the Director benefits in a similar manner to employees and which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or arrangement relates; and
 - (gg) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of the Directors or persons who include the Directors.

- (v) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (vi) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum of £150,000 or such larger amount as the Company may by ordinary resolution determine). Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.
- (vii) Subject to the provisions of the Statutes, the Directors may from time to time appoint one or more of their body to such executive office as they may decide. His appointment shall be automatically determined if he ceases from any cause to be a Director, without prejudice to any claim for damages such Director may have for breach of any service contract between him and the Company. The salary or remuneration of any executive Director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance and other benefits.
- (viii) The Directors may entrust to or confer upon a managing director or an executive Director any of the powers and discretions exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and discretions and may from time to time revoke, withdraw, alter or vary all or any of such powers or discretions.
- (ix) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (x) Subject to the provisions of the Statutes, the Company may, by ordinary resolution, suspend or relax certain of these provisions to any extent or ratify any contract, arrangement or transaction not duly authorised by reason of a contravention of those provisions.
- (xi) Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) does not apply to the Company.
- (xii) Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and at any time to terminate such appointment.
- (xiii) At each annual general meeting of the Company, one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office, or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot.

4. Interests of Directors and Others

- (a) The interests of applicable employees and of the Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act in the share capital of the Company as at the date of this document which have been notified to the Company pursuant to section 324 of the Act or are required to be entered in the Register of Directors' interests maintained under the provisions of section 325 of the Act or could, with reasonable diligence, be ascertained by the Directors and as they are expected to be immediately following completion of the Placing are as follows:

<i>Name</i>	<i>Number of Ordinary Shares before the Placing</i>	<i>Number of Ordinary Shares after the Placing</i>	<i>Percentage of issued share capital after the Placing</i>
Henry Edwards – beneficial	36,000	595,000	27.05
Anthony Edwards – beneficial	10,000	210,000	9.55
– non-beneficial	—	500,000	22.73
Ken Tinkler	—	20,000	0.91
Ron de Young – beneficial	28,000	152,000	6.91
– non-beneficial	—	48,000	2.18
Sam Marshall	26,000	46,000	2.09

The non-beneficial interest of Mr A J Edwards will be held by Adint Charitable Trust, of which he is a trustee.

Save as disclosed in this paragraph 4(a), no Director, no member of their respective immediate families, and no person connected with them within the meaning of section 346 of the Act, is interested in any share capital of the Company.

- (b) No loan or guarantee has been granted or provided by the Company to any Director or any person connected with them.
- (c) The Directors whose names appear on page 3 of this document, have been appointed to the offices set out against their respective names. The service agreements and engagement letter summarised below are each dated 20 March 2001 and each is conditional upon Admission.
 - (i) Mr H J Edwards has entered into a service agreement with the Company which provides for him to act as an executive Director and Chairman of the Company at an initial salary of £10,000 per annum from the date the service agreement was entered into for a minimum period of one year and continuing thereafter unless terminated summarily by the Company in certain circumstances or, otherwise, by either party giving the other not less than three months' notice. The salary will be reviewed by the Board on or with effect from the anniversary of the date of the service agreement and thereafter once at the end of each calendar year. Mr Edwards shall work such hours as the needs and the requirements of the Company dictate and as are required for the proper discharge of his duties. Mr Edwards is subject to certain restrictions, in particular from being involved in other competing businesses, both during the period of his employment with the Company and for a period of 12 months thereafter.
 - (ii) Mr A J Edwards has entered into a service agreement with the Company which provides for him to act as an executive Director of the Company. His initial salary is £10,000 per annum, otherwise his service agreement is identical to that of Mr H J Edwards in all respects.
 - (iii) Mr K B Tinkler has been appointed a non-executive Director of the Company for an annual fee £10,000. His appointment is for a period of one year subject, however, to him resigning at any time thereafter by giving the Company three months' notice in writing to this effect.
- (d) It is estimated that the aggregate emoluments (including benefits in kind) for the period ending 30 June 2001, assuming Admission, will amount to £15,000 under the arrangements in force at the date hereof.
- (e) Save as disclosed in this document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

- (f) In addition to those disclosed in paragraph (a) above, the Company is aware of the following persons who, immediately following the Placing, will, directly or indirectly, be interested in 3 per cent. or more of the Enlarged Issued Share Capital, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company:

<i>Name</i>	<i>Warrants</i>
Peel Hunt	200,000
Henry Edwards	100,000
Anthony Edwards	100,000
Ron de Young	50,000

- (g) The partnerships and directorships held by each of the Directors over the five years preceding the date of this document other than in the Company, are as follows:

Henry Edwards

Current Directorships

Adint (Unlimited)

Past Directorships

Armlink Limited	Friendly Stop Inns Two PLC
Bellsite Limited	Friendly Hotels PLC
Bickville Limited	Friendly Lodges Limited
Budget Offices Limited	Friendly Conference Call Limited
Chainrange Limited	Friendly Lodges (UK) Limited
Comprehensive Business Services PLC	Friendly Restaurants Limited
Comprehensive Resources Limited	Friendly City Hotels Limited
Eagercatch Limited Flowchart Limited	Gazon Limited
Gableworth Limited	Glentod Limited
Hobcan Limited	Holdeed Limited
Langcharm Limited	Interrelay Limited
Manorcall Limited	Mrs Friendly's Kitchen Limited
Startland Limited	New Cobden Hotel Limited
Symbol Offices Limited	New Friendly Hotels Limited
Arrabrook Limited	New Connaught Rooms Limited
Ashbrake Limited	Oltrix Limited
Bureautel Business Club Limited	Opaljewel Limited
Care & Comfort Homes Limited	Parapix Limited
Connaught Restaurants Limited	Premier House (Serviced Offices) Limited
Covent Garden Exhibition Centre Limited	Reedcrest Limited
Dashwin Limited	Rosenest Limited
Edringham Limited	Trustcliffe Limited
Elmbrace Limited	Waterlodge Floatels Limited
Fiport Limited	Waterlodge Floatels (Northwich) Limited
Floatels (UK) Limited	Worldwide Hotel Management Limited
Fortply Limited	Friendly Hotels (Bournemouth) Limited
Friendly Hotels (Associates) Limited	Southcrest Homes Limited
Friendly Hotels (Croydon) Limited	Choice Pursuits Limited
Friendly Sleep Inns Limited	Primevere Restaurants Limited
Friendly Stop Inns One PLC	Rexlaw Limited
	Epicot Limited

Anthony Edwards

Current Directorships

Brookhampton Limited
Essential Inns Limited

Past Directorships

Comprehensive Business Services PLC

Ken Tinkler

Current Directorships

Dreamhouse (2000) Limited

Past Directorships

Casino Reality Limited

- (h) No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.
- (i) None of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors has been a partner of any partnership which has been placed into compulsory liquidation or administration or entered into a partnership voluntary arrangement at the time of or within twelve months preceding such event and there have been no receiverships of any asset of any Director or of any partnership of which the Director was a partner at the time of or within twelve months preceding such events.
- (j) None of the Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5. Warrants

- (a) Pursuant to the Peel Hunt Warrant Instrument Peel Hunt was issued, subject to Admission, the Peel Hunt Warrant to subscribe for 200,000 Ordinary Shares (representing 9.09 per cent. of the Enlarged Issued Share Capital). The principal terms of the Peel Hunt Warrant contained in the Peel Hunt Warrant Instrument are as follows:

(i) Exercise price

- (aa) The exercise price for the Peel Hunt Warrant is 50p per Ordinary Share.
- (bb) The exercise price may be adjusted in the event of a rights issue, bonus issue, share split and certain other alterations of share capital, subject to the written certificate of the Company's auditors that such adjustment is fair and reasonable.

(ii) When the Warrants may be exercised

- (aa) Subject as set out below, the Peel Hunt Warrant may be exercised in whole or in part at any time during the period commencing three months after the date of completion of the first acquisition of a business or company by the Company. Rights of exercise will also arise on a change of control of the Company.
- (bb) Subject thereto, Subscription Rights will lapse on the earliest of (aaa) the date on which an effective resolution is passed or an order made for the compulsory winding up of the Company; (bbb) (without prejudice to the foregoing), the date upon which the Warrantholder otherwise does or omits to do anything as a result of which it ceases to exercise its Subscription Rights; and (ccc) the seventh anniversary of the date of the grant of Subscription Rights.

(iii) Voting, dividend, transfer and other rights

- (aa) Until the Peel Hunt Warrant is exercised, the Warrantholder has no voting rights in respect of the Ordinary Shares to which its Peel Hunt Warrant relates.
 - (bb) Ordinary Shares issued pursuant to the exercise of the Peel Hunt Warrant will rank *pari passu* in all respects with the Ordinary Shares already then in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the Peel Hunt Warrant.
 - (cc) The Peel Hunt Warrant is non-transferable.
- (b) Pursuant to the General Warrant Instrument Mr H J Edwards, Mr A J Edwards and Mr R De Young were issued, subject to Admission, Warrants to subscribe for 100,000, 100,000 and 50,000 Ordinary Shares respectively (representing 4.55, 4.55 and 2.27 per cent. of the Enlarged Issued Share Capital respectively). The principal terms of the General Warrants contained in the General Warrant Instrument are as follows:

(i) *Exercise price*

- (aa) The exercise price for each of the General Warrants is 50p per Ordinary Share.
- (bb) The exercise price may be adjusted in the event of a rights issue, bonus issue, share split and certain other alterations of share capital, subject to the written certificate of the Company's auditors that such adjustment is fair and reasonable.

(ii) *When the General Warrants may be exercised*

- (aa) Subject as set out below, the General Warrants may be exercised in whole or in part at any time during the period commencing three months after the date of completion of the first acquisition of a business or company by the Company. Rights of exercise will also arise on a change of control of the Company.
- (bb) Subject thereto, a Warrantholder's Subscription Rights will lapse on the earliest of (aaa) the date on which an effective resolution is passed or an order made for the compulsory winding up of the Company; (bbb) (without prejudice to the foregoing), the date upon which a Warrantholder otherwise does or omits to do anything as a result of which he ceases to exercise his Subscription Rights; and (ccc) the seventh anniversary of the date of the grant of his Subscription Rights.

(iii) *Voting, dividend, transfer and other rights*

- (aa) Until the General Warrants are exercised, Warrantholders have no voting rights in respect of the Ordinary Shares to which their General Warrants relate.
- (bb) Ordinary Shares issued pursuant to the exercise of General Warrants will rank *pari passu* in all respects with the Ordinary Shares already then in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the General Warrants.
- (cc) The General Warrants are non-transferable.

6. **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 and are, or may be, material:

- (a) the Placing Agreement dated 20 March 2001 between the Company (1), the Directors (2) and Peel Hunt (3) pursuant to which, *inter alia*, on Admission taking place on or before 9.00 a.m. on 4 April 2001 (or such later time and/or date as Peel Hunt and the Company may agree, being not later than 30 April 2001) under which Peel Hunt has agreed to act as nominated adviser and broker to the Company and to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.
- (b) The General and Peel Hunt Warrant Instruments described in paragraph 5 above.

7. **Taxation**

The following paragraphs summarise advice received by the Directors about the tax position of shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes of Ordinary Shares in the capital of the Company. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying in a trade in the United Kingdom through a branch or agency or United Kingdom insurance companies). Any investors who are in doubt as to their tax position should consult their professional adviser.

(a) *Taxation of the Company*

It is anticipated that the Company will be liable to United Kingdom corporation tax at rates (depending on the level of its profits for each accounting period) currently of between 20 per cent. and 30 per cent.

(b) *Taxation of shareholders*

The information given below is provided in summary form only and based on tax legislation as it exists at the present time.

No tax will be withheld from dividend payments on Ordinary Shares.

United Kingdom resident shareholders who are individuals liable to higher rate tax will be entitled to a tax credit in respect of any dividend paid on Ordinary Shares. They will be liable to United Kingdom income tax on a sum equal to the dividend received plus the tax credit attaching hereto (which is 11 per cent. of the dividend paid). The tax credit may be offset by a shareholder against his own income tax liability.

In the case of a shareholder who is not liable to tax on his income at a rate in excess of the basic rate, he or she will have no further liability to United Kingdom income tax on the dividend.

In the case of shareholders who are United Kingdom resident companies, in general such shareholders will not be liable to United Kingdom corporation tax on dividends received on their Ordinary Shares.

(c) Capital Gains Tax Deferral and EIS Relief ("Deferral and EIS Relief")

The intended activities of the Company are such that the Directors have been advised that the Ordinary Shares may rank as eligible shares for Deferral and EIS Relief, but this cannot be confirmed at this stage.

(d) Stamp Duty

No United Kingdom stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value, or agreements for such transfer which are not completed by written instrument made within two months from the date of the agreement, will give rise to a liability to United Kingdom *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50 pence per £100 of the amount or value of the consideration. Transfers under the proposed CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

8. Working capital

In the Company's opinion, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

9. Litigation

Since incorporation, the Company has not been engaged in, and is not currently engaged in, any litigation or arbitration proceedings which has or may have a significant effect on the financial position of the Company and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

10. General

- (a) The accounting reference date of the Company is 30 June.
- (b) The minimum amount which, in the opinion of the Directors, must be raised by the Company under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 to the POS Regulations is £1,050,000 which will be applied as follows:
 - (i) approximately £80,000 (excluding VAT) in respect of the expenses of the Placing and Admission; and
 - (ii) the balance of the proceeds of the Placing receivable by the Company after payment of the sums described above will be used as working capital.
- (c) BDO Stoy Hayward have given and not withdrawn their written consent to the inclusion of their report on the Company from its incorporation until 28 February 2001 in the form set out in Part II of this document and the references to such report in the form and context in which they appear and accept responsibility for such report in accordance with paragraph 45(8)(b) of Schedule 1 to the POS Regulations.
- (d) Peel Hunt has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and content in which they appear.
- (e) The total costs and expenses payable by the Company in connection with the Placing (including professional fees, commissions, the costs of printing and the fees payable to the Registrars and Peel Hunt) are estimated to amount to approximately £80,000 (excluding VAT). Included within this

amount are commissions of approximately £25,000 payable by the Company pursuant to the Placing Agreement referred to in paragraph 6(b) above.

- (f) Each of the Directors is, or may be deemed to be, a promoter of the Company.
- (g) The financial information for the relevant accounting period set out in the Accountants' Report in Part II concerning the Company does not constitute statutory accounts of the Company within the meaning of section 240 of the Act.
- (h) Monies received by subscribers pursuant to the Placing will be held in accordance with the terms of the Placing letters issued by Peel Hunt until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 April 2001, subscription moneys will be returned to subscribers at their risk without interest.
- (i) Share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched to applicants who do not wish to receive shares in uncertificated form by post at their risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.
- (j) Save as disclosed herein, no person (excluding professional advisers disclosed in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or 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 the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.

11. Documents

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW for a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the report from the reporting accountants set out in Part II of this document;
- (c) the service contracts and terms of engagement referred to in paragraph 4(c) of this Part III;
- (d) the material contracts referred to in paragraph 6 of this Part III; and
- (e) the consent letters referred to in paragraphs 10(d) and (e) of this Part III.

Dated 20 March 2001

