

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

This document, which comprises an AIM admission document, is drawn up in compliance with the AIM Rules. 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 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 5, accept responsibility, individually and collectively, for the contents of this document accordingly.

Application has been made for the whole of the issued ordinary share capital of the Company immediately following the Placing 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 issued ordinary share capital of the Company will commence on 29 October 2004.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.**

**Notwithstanding that this document is an admission document drawn up in accordance with the AIM Rules, this document does not comprise a prospectus and has not been delivered to the Registrar of Companies in England and Wales.**

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# Blue Star Capital plc

*(Incorporated in England and Wales under the Companies Act 1985 (as amended) with No. 05174441)*

## **Placing of Ordinary Shares at 10p per Ordinary Share and Admission to trading on the Alternative Investment Market**

*Nominated Adviser and Broker*

**DURLACHER**

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### SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

<i>Authorised Number</i>	<i>£</i>		<i>Issued Number</i>	<i>£</i>
500,000,000	500,000	Ordinary Shares of 0.1p each	105,500,000	105,500

Durlacher Limited, which is regulated by the Financial Services Authority 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. Durlacher Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Durlacher Limited or for advising any other person on the Placing and the arrangements described in this document. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. No representation or warranty, express or implied, is made by Durlacher Limited 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 29 October 2004 (or such later date as the Company and Durlacher Limited may agree, but in any event no later than 30 November 2004). The Placing 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.

This Document is not for distribution outside the United Kingdom and, in particular, it should not be distributed to persons with addresses in Canada, Australia, Japan, South Africa, the Republic of Ireland or to persons with addresses in the United States of America, its territories or possessions or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distributions could result in the violation of Canadian, Australian, Japanese, South African, Irish or United States of America law.

**THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ. YOUR ATTENTION IS DRAWN, IN PARTICULAR, TO THE SECTION HEADED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.**

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## 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 issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange
“Board” or “Directors”	the directors of the Company, whose names are set out on page 5 of this document
“Combined Code”	the combined code on corporate governance published in July 2003 by the United Kingdom Financial Reporting Council
“Company” or “Blue Star Capital”	Blue Star Capital 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
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Durlacher”	Durlacher Limited
“Placing”	the proposed placing of the Placing Shares by Durlacher at the Placing Price, as described in this document
“Placing Agreement”	the conditional agreement, dated 26 October 2004, between the Company, Durlacher and the Directors, described in paragraph 6(a) of Part IV of this document
“Placing Price”	10p per Ordinary Share
“Placing Shares”	up to 55,500,000 Ordinary Shares to be issued pursuant to the Placing
“Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Shareholders”	holders of issued Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent person for the purposes of Part VI of the Financial Services and Markets Act 2000

## PLACING STATISTICS

Number of existing Ordinary Shares prior to the Placing	50,000,000
Placing Price	10p
Number of Placing Shares	55,500,000
Number of Ordinary Shares in issue following the Placing and Admission	105,500,000
Percentage of enlarged issued share capital subject to the Placing	52.61 per cent.
Market capitalisation at the Placing Price	£10,550,000
Gross proceeds of the Placing	£5,550,000
Estimated net proceeds of the Placing receivable by the Company	£5,100,000

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission document publication date	26 October 2004
Admission and dealings in the Ordinary Shares to commence on AIM	29 October 2004
CREST accounts enabled in relation to Ordinary Shares and settlement of Ordinary Shares through CREST	29 October 2004
Where applicable, certificates in respect of Ordinary Shares expected to be despatched by	5 November 2004

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Nigel Alexander Spencer Robertson, <i>Executive Chairman</i> Haresh Damodar Kanabar, <i>Chief Executive and Finance Director</i> John David Vergopoulos, <i>Non-executive Director</i>  all of:  8-10 New Fetter Lane London EC4A 1RS
<b>Secretary</b>	Haresh Damodar Kanabar
<b>Registered Office</b>	8-10 New Fetter Lane London EC4A 1RS
<b>Nominated Adviser and Broker</b>	Durlacher Limited Moorgate Hall 155 Moorgate London EC2M 6XB
<b>Solicitors to the Company</b>	Charles Russell 8-10 New Fetter Lane London EC4A 1RS
<b>Solicitors to Durlacher</b>	Penningtons Bucklersbury House 83 Cannon Street London EC4N 8PE
<b>Auditors and Reporting Accountants</b>	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
<b>Public Relations Adviser</b>	Buchanan Communications Limited 107 Cheapside London EC2V 6DN
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Principal Bankers</b>	Natwest Bank Plc 1 Granby Street Leicester LE1 9GT

## PART I

### INFORMATION ON THE COMPANY

#### Introduction

Blue Star Capital is a newly established company, created with the aim of providing initial seed capital for the development of early stage companies. The Company will have two principal avenues for investment:

1. to form and fund shell companies at the founder stage, upon IPO and subsequently (if required); and
2. to fund operating businesses prior to IPO (or alternative exit) that offer strong growth prospects and significant opportunities for capital appreciation.

The Company currently has no trading businesses or subsidiaries but upon Admission the Directors will initiate a detailed analysis of potential investment and acquisition targets. It is intended that future shells will be floated at appropriate times to enable the Company to benefit from any subsequent acquisition opportunities identified. Unquoted investment opportunities will be identified and assessed in a similar fashion according to the Directors' criteria of strong growth prospects and defined timeframe to exit.

The Directors will use the funds received from the Placing to provide initial seed capital to future shells, meet professional costs associated with these shells, undertake investments in unquoted opportunities and fund the initial working capital requirements of the Company. If the Directors consider that further funds are required following an investment, they may seek to raise additional equity from new and existing shareholders or seek debt finance.

#### Rationale for the "Shell of Shells" innovation

The Directors believe that there is a rising trend towards IPO by way of reverse takeovers of cash shells. This is mainly due to such structure being effective for almost any size of transaction, providing increased certainty of valuation and, the Directors believe, of likelihood of completion.

The Executive directors, Nigel Robertson and Haresh Kanabar, collectively have significant experience in using shell companies for the purposes of evaluating and identifying attractive operating businesses, across a range of sectors and industries, to acquire by way of a reverse take-over.

The following table highlights the successful performance of shells floated by a combination of the Directors so far in 2004:

Table 1: IPO Investments

<i>Name of Shell</i>	<i>Founder Price</i>	<i>IPO Price</i>	<i>Current Price*</i>	<i>Capital Uplift from founder price</i>	<i>Capital Uplift from IPO</i>
Aurum Mining plc	1p	47p	89.0p	8800%	<b>89%</b>
Hightower Construction plc	1p	5p	12.5p	1150%	<b>150%</b>
Reflexion Cosmetics plc	1p	13p	21.5p	2050%	<b>65%</b>
Roshni Investments plc (now Spiritel plc)	1p	10p	30.0p	2900%	<b>200%</b>

\*As of 26 October 2004

In addition to using shell companies to exploit their ability to identify attractive opportunities, the Directors (individually) have experience in successfully funding unquoted operating businesses prior to IPO or alternative exit which require additional funding to reach such stage.

The following are companies in which Nigel Robertson has invested at the final stage pre-IPO round:

Table 2: Pre-IPO Investments

<i>Company Name</i>	<i>Final Stage pre-IPO Price</i>	<i>IPO Price</i>	<i>Current Price*</i>	<i>Capital Uplift from final stage pre-IPO price</i>	<i>Capital Uplift from IPO</i>
Block Shield Corporation plc	1p	72p	116.0p	11500%	<b>61%</b>
Felix Group plc	1p	20p	31.0p	3000%	<b>55%</b>

\*As of 26 October 2004

Blue Star Capital aims to provide a vehicle to offer investors the opportunity to access returns such as these.

## **Business and Strategy**

The Directors, who collectively are experienced in business evaluation, corporate finance, accounting and taxation, aim to achieve capital appreciation from a portfolio of quoted and unquoted investments. The Directors' strategy is to take either minority or majority shareholdings and in the latter case the Company would take strategic control over the investee company. The majority of the investments will be made in the United Kingdom, but the Company may invest elsewhere. It is currently envisaged that the typical investment will be between £50,000 and £500,000, although this may rise over time in line with the value of the net assets of the Company. In evaluating investment opportunities the Directors will focus particularly on the likelihood of being able to realise a capital gain within one to three years. The Directors are not targeting any particular sector but will look at situations that they believe have the potential for strong capital appreciation.

## **Investment Criteria**

Although Blue Star Capital will have no geographical or sector specific investment criteria, each investing company or unquoted investment that is either wholly or partially funded by Blue Star Capital, will have a specific geographical and sector focus.

Notwithstanding the above, Blue Star Capital will look to make investments in any of the following sectors: Resources, Chemicals, Construction & Building Materials, General Industrials (with the exception of Aerospace & Defence), Cyclical Consumer Goods, Non-Cyclical Consumer Goods (with the exception of Pharmaceuticals & Biotechnology and Tobacco), Cyclical Services, Non-Cyclical Services, Information Technology, Investment Companies, Real Estate and Speciality & Other Financials.

Blue Star Capital will look to make investments in Europe, Asia and South America.

## **Reasons for the Placing and Admission**

The Company requires funds to allow it to carry out its investment strategy, as described in this document, and to provide working capital. The Directors believe that the Placing and Admission is the most appropriate method of securing such funds due to the associated benefits of fundraising in this way, such as:

*(i) Access to capital markets*

The Company may wish to raise additional funds in the future to further its investment strategy. In the opinion of the Directors, the cost of capital for a publicly traded company should be lower and capital should be more freely available than for a private company.

*(ii) Corporate profile*

The Directors believe that having its securities quoted on AIM will increase the Company's profile, making it more likely that it will attract investment opportunities and will give the Company wider and better opportunities in its negotiations with investee companies.

*(iii) Incentivising key staff*

The Directors believe that the establishment of appropriate share option arrangements may be an important factor in the acquisition, incentivisation and retention of key staff.

## **Duration of the Company**

If the Company has not completed an investment (whether via a shell flotation and subsequent acquisition or in an unquoted operating business) within 12 months of the date of Admission, the Directors will give Shareholders the opportunity to consider the future of the Company and will convene an extraordinary general meeting to propose an ordinary resolution to the effect that the Company should continue in existence for a further specified period not exceeding one year.

## **The Placing**

A total of 55,500,000 new Ordinary Shares have been conditionally placed by Durlacher, as agent for the Company, at the Placing Price with various investors.

The Placing 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 Placing is conditional on, *inter alia*, the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission, the Company receiving the Placing proceeds before Admission and Admission taking place on or before 29 October 2004 (or such later date as the Company and Durlacher may agree, but in any event no later than 30 November 2004). Further information on the Placing Agreement is set out in paragraph 6(a) of Part IV of this document.

If the Placing does not raise at least £3 million, then the Placing and Admission will not proceed.

The Placing is intended to raise up to £5,550,000 for the Company, before expenses. After the expenses of the Placing and Admission, payable by the Company and estimated in total at £450,000 (including VAT), the Placing is intended to raise up to £5,100,000.

Dealings in the Ordinary Shares on AIM are expected to commence on 29 October 2004. In the case of placees requesting their Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with the Placing Shares comprising their placing participation with effect from 29 October 2004. In the case of placees requesting their Placing Shares in certificated form it is expected that certificates in respect of such shares will be despatched by post not later than 5 November 2004. Pending despatch of definitive share certificates or crediting of CREST accounts, Capita Registrars will certify any instrument of transfer against the register.

## **Directors**

The Directors have a network of contacts which they believe will assist them in the identification and evaluation of acquisition and investment opportunities. Brief biographical details of the Directors, are as follows:

### *Nigel Robertson* (aged 42) — Executive Chairman

Nigel Robertson is currently non-executive chairman of Gaming Insight plc, Reflexion Cosmetics plc and a non-executive director of Spiritel plc. Nigel, who is resident in Monaco, is the former chief executive of scoot.com plc, formerly Freepages Group plc, of which he was the founder. In addition to the companies listed in Table 1 on page 6, Nigel was a founder shareholder of As Seen On Screen (which became ASOS plc) and ACS (which became Aerobox plc).

### *Haresh Kanabar* (aged 46) — Chief Executive and Finance Director

Haresh Kanabar qualified as a certified accountant in 1986. Following a number of finance positions with Fisons plc, Reed International plc and Texas Homecare Limited he became finance director of F E Barber Limited, a subsidiary of Hilldown Holdings Limited, in 1994. In 1997 he was appointed group finance director of Whitchurch Group Plc which he left in May 1998 to become finance director of TMV Finance Limited. In December 1999 he left to join Corvus Capital Inc. as chief executive and in November 2002 he left to become finance director of Gaming Insight plc. Haresh has also been non-executive chairman of Silentpoint Plc, an AIM quoted investment company, since October 2000. He is currently chairman of Hightower Construction plc and an executive director of Aurum Mining Plc and Silvermines Media PLC.

### *John Vergopoulos* (aged 38) — Non-executive Director

John Vergopoulos is a Chartered Accountant who qualified with Touche Ross in 1992. Post-qualification, John became finance manager of ACM Wood Chemicals, and within a period of 8 years was promoted to managing director of this private international chemicals group. John is finance director of Spiritel plc and a non-executive director of Reflexion Cosmetics plc.

In the period since 2000, John has been a professional private investor, providing hands-on financial and corporate finance advice to SMEs on a range of issues, including finance raising from private, venture capital and public sector sources of funding.

Details of the terms of the Directors' appointments are set out in paragraph 5 of Part IV of this document.

## **Share option scheme**

The Directors believe that equity incentives provide a valuable tool in attracting, retaining and rewarding the best managers and employees. Although on Admission no share option scheme will exist, the Directors may propose that a suitable scheme be put in place shortly thereafter.

## **Corporate governance**

Given the size and structure of the Company, it is not considered practical or appropriate by the Directors that the Company should adopt the full recommendations on corporate governance contained in the Combined Code. However, the Board will adopt procedures in respect of the control and assessment of risks to the business, and in order to more closely reflect corporate governance guidelines, the Company is currently planning to appoint another non-executive director shortly following Admission.

The Company has adopted and will operate a share dealing code for Directors and employees.

### *The Board*

The Board will meet regularly throughout the year. To enable the Board to perform its duties, all Directors will have full access to all relevant information and to the services of the Company Secretary. If necessary non-executive Directors may take independent professional advice at the Company's expense.

The Board currently includes one non-executive Director but is actively looking to appoint another non-executive director. The Board will delegate specific responsibilities to audit, remuneration and nominations committees which will be appointed when another non-executive Director joins the Board and will comprise John Vergopoulos and such other non-executive director.

## **Lock-in arrangements**

On Admission, the Directors and persons connected with them will be interested in an aggregate of 50,000,000 Ordinary Shares, representing approximately 47.4 per cent. of the enlarged issued ordinary share capital of the Company. Details of these shareholdings are set out in paragraph 4(a) of Part IV of this document.

In addition, each of the Directors has agreed, for himself and his associates, only to dispose of Ordinary Shares held by him or his associates for a period of 12 months from the first anniversary of the date of Admission through Durlacher (or the Company's broker from time to time) in order to maintain an orderly market.

Further details of these lock-in agreements are set out in paragraph 6(c) of Part IV of this document.

## **Dividend policy**

The Company has not yet commenced operations and it is, therefore, inappropriate to make a forecast of the likely level of any future dividends.

## **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument.

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 2001. Application has been made by the Company's registrars for the Ordinary Shares to be admitted to CREST on Admission. 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 shareholders who wish to receive and retain certificates in respect of their Ordinary Shares will be able to do so.

## **Taxation**

Information regarding taxation is set out in paragraph 7 of Part IV of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

## PART II

### 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; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt as to the action you should take, you should consult a person authorised under The Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. 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 and the financial resources available to them.**

**If any of the risks referred to in this Part II crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.**

#### **1. Dependence on key personnel and employees**

The Company's success will depend on its current and future management team. The retention of the current or future directors and/or employees cannot be guaranteed. The Directors have considerable additional business interests, including involvement as directors of, or substantial shareholders in, other quoted companies established to grow through acquisition of businesses or interests in businesses. However, the Directors do not consider that their other business interests currently present any conflict of interest, and each of the Executive Directors has agreed that whilst he is a director of the Company, he will not become a director in any cash shell company without the prior written consent of the Company and its Nominated Adviser.

The Company's shareholders include individuals who have ongoing business relationships with the Directors and with whom the Directors may co-invest in other projects from time to time.

#### **2. The Company's objectives may not be fulfilled**

The Company currently does not have any trading subsidiaries or activities. The value of an investment in the Company is dependent upon the Company successfully investing in companies that meet the Board's investment criteria. There can be no guarantee that investment opportunities meeting these criteria will be identified and acquisitions successfully completed or that such investments or acquisitions, if completed, will prove successful. The Company may incur costs in conducting due diligence into potential investment opportunities that may not result in an investment being made.

#### **3. Requirement for further funds**

The net cash proceeds of the Placing may be insufficient to cover all due diligence costs incurred in researching potential investment opportunities and it may be necessary to raise additional funds in the future by a further issue of new Ordinary Shares or other means.

#### **4. Share price volatility and liquidity**

The share price of publicly traded companies, in particular those at an early stage of development, can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations and the ability to successfully implement its intended acquisition strategy and some which may affect quoted companies generally. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or the absence of liquidity) in the Ordinary Shares, currency fluctuations and general economic conditions. The value of the Ordinary Shares may go down as well as up.

**Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.**

## PART III

### ACCOUNTANTS' REPORT ON BLUE STAR CAPITAL PLC



**BDO Stoy Hayward**  
Chartered Accountants

BDO Stoy Hayward LLP  
8 Baker Street  
London  
W1U 3LL

The Directors  
Blue Star Capital plc  
8-10 New Fetter Lane  
London EC4A 1RS

The Directors  
Durlacher Limited  
Moorgate Hall  
155 Moorgate  
London EC2M 6XB

26 October 2004

Dear Sirs

#### **BLUE STAR CAPITAL PLC (THE "COMPANY")**

##### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission document dated 26 October 2004 of the Company ("the Admission Document").

The Company was incorporated as Rangerclass Public Limited Company on 8 July 2004 and changed its name to Blue Capital plc on 10 August 2004 and to Blue Star Capital plc on 16 September 2004. Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. No financial statements have been drawn up.

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

The financial information set out below is based on the balance sheet of the Company as at 30 September 2004 (the "Balance Sheet") to which no adjustments were considered necessary.

##### **Responsibility**

The Balance Sheet is the responsibility of the Directors and has been approved by them.

The Directors are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Balance Sheet, 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Balance Sheet underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 September 2004.

## Consent

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

## Balance sheet as at 30 September 2004

	<i>As at 30 September 2004 £000</i>
<b>Current assets</b>	
Cash at bank	50
<b>Net assets</b>	<u>50</u>
<b>Share capital and reserves</b>	
Called up share capital	<u>50</u>
<b>Shareholders' funds — equity</b>	<u><u>50</u></u>

## Financial information

### *Accounting policies*

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

### *Share capital*

The Company was incorporated with authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each. On incorporation, 2 ordinary shares of £1 each were issued, nil paid. The following alterations in the issued share capital of the Company have taken place since incorporation:

1. on 16 September 2004, the 2 subscriber shares were transferred and paid up;
2. on 30 September 2004 each of the 2 subscriber shares and each of the unissued Ordinary Shares were sub-divided into 1,000 Ordinary Shares of 0.1 pence each and the authorised share capital increased to £500,000 by the creation of a further 400,000,000 Ordinary Shares of 0.1 pence each;
3. on 30 September 2004 the Company allotted a further 49,998,000 Ordinary Shares at 0.1 pence.

As at 30 September 2004 and as at the date of this document, the Company has an authorised share capital of £500,000 divided into 500,000,000 Ordinary Shares and a fully paid up issued share capital of £50,000 divided into 50,000,000 Ordinary Shares.

Yours faithfully

BDO Stoy Hayward LLP  
*Chartered Accountants*

## PART IV

### ADDITIONAL INFORMATION

#### 1. The Company

- (a) The Company was incorporated and registered on 8 July 2004 in England and Wales under the Act as a public company limited by shares with the name Rangerclass Public Limited Company and with registered number 0517441. On 10 August 2004, the Company's name was changed to Blue Capital plc and on 16 September 2004 it was changed to Blue Star Capital plc. On 1 October 2004, 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 the regulations made thereunder.
- (d) The Company's registered office is 8-10 New Fetter Lane, London EC4A 1RS.
- (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 £100,000 represented by 100,000 ordinary shares of £1 each, of which 2 were issued, nil paid, to the subscribers to the memorandum of association. The following alterations in the issued share capital of the Company have taken place since incorporation:
  - (i) on 16 September 2004, the 2 subscriber shares were transferred and paid up
  - (ii) on 30 September 2004 each of the 2 subscriber shares and each of the unissued Ordinary Shares were each sub-divided into 1,000 Ordinary Shares of 0.1 pence each and the authorised share capital increased to £500,000 by the creation of a further 400,000,000 Ordinary Shares of 0.1 pence each; and
  - (iii) on 30 September 2004 the Company allotted a further 49,998,000 Ordinary Shares at 0.1 pence.
- (b) The table below sets out the authorised and issued share capital of the Company at the date of this document:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares	500,000,000	500,000	50,000,000	50,000

- (c) Following the Placing and assuming a maximum of 55,500,000 Placing Shares are issued, the authorised and issued share capital of the Company is expected to be as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares	500,000,000	500,000	105,500,000	105,500

- (d)
  - (i) By a resolution passed on 21 October 2004 the shareholders of the Company resolved that 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 £100,000, provided that such authority shall expire on 21 October 2009 and 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 resolutions had not expired; and
  - (ii) By a resolution passed on 26 October 2004 the shareholders of the Company resolved that the Directors be given authority pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the section 80 authority referred to in sub-paragraph (d)(i) above as if section 89(1) of the Act did not apply to any allotment of equity securities pursuant to the Placing by way of a rights issue in proportion (as nearly as may be) to their existing holdings, and in respect of any other issue up to an aggregate, nominal value representing £44,500, such authority to expire on the earlier of the conclusion of the first annual

general meeting of the Company and the date falling 15 months after the date of the resolution, 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, to the extent not disapplied pursuant to section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of 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 share capital of the Company to the extent not disapplied as described in paragraph 2(d)(ii) above.
- (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) 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.

### **3. Memorandum and Articles of Association**

#### *(a) Memorandum of Association*

The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to carry on the business of a general commercial company.

#### *(b) Articles of Association*

##### (i) Voting Rights

Subject to disenfranchisement in the event of:

- (a) non-payment of calls or other monies due and payable in respect of Ordinary Shares; or
- (b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares,

and, without prejudice to any special rights previously conferred and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share held.

##### (ii) Dividends

Subject to the Statutes (as defined in the Articles), the Company at a general meeting may declare dividends to be paid to shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except insofar as the rights attaching to, or the terms of issue of, any Ordinary Share otherwise provide, all dividends shall be declared according to the amounts paid-up or credited as paid-up on the shares and apportioned and paid *pro rata* according to the amounts paid-up or credited as paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

##### (iii) Distribution of assets on liquidation

On a winding-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and subject to and in accordance with the Statutes, divide among the shareholders *in specie* or kind the whole or any part of the assets of the Company, subject to the rights of any shares which may be issued with special rights or privileges.

##### (iv) Transferability of Ordinary Shares

All transfers of Ordinary Shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. All transfers of Ordinary Shares which are in uncertificated form may be effected by means of a relevant system (as defined in the Articles).

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares (not being fully-paid shares),

provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or made to or by an infant or patient within the meaning of the Mental Health Act 1983.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

(v) Variation of rights

Subject to the Statutes, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound-up) be altered or abrogated with the written consent of the holders of three-fourths 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 issued shares of that class at which a quorum of two or more persons holding or representing by proxy not less than one-third of the issued shares of that class (or in the case of an adjourned meeting such quorum as is specified by the Articles) is present. The special rights conferred upon the holders of any shares or class of share shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or the purchase by the Company of any of its own shares.

(vi) Changes in capital

Subject to the provisions of the Statutes and to any special rights conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the Statutes and to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner. The Company may also, subject to the requirements of the Statutes, purchase its own shares.

(vii) Untraced Shareholders

Subject to the Statutes, the Company may sell any shares of a member or person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no indication of the existence of such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on two consecutive occasions notices or other communications (including dividend payments) have been sent through the post to any holder of shares to his registered or other specified address but returned undelivered or mandated dividend payments have failed, or following one such occasion and enquiries by the Company failing to establish a new address or account, the Company may cease to send such notices or other such communications or mandated payments until the person entitled thereto otherwise requires.

(viii) Non-UK Shareholders

There are no limitations in the Memorandum or Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company, including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

(ix) Sanctions on Shareholders

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Act requiring him to give particulars of any interest in those Ordinary Shares

within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the Company then in issue, or any class thereof, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

(x) Directors' Fees

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be paid by way of fees for their services at such rate and in such proportion as the Board may resolve, a sum not exceeding an aggregate of £75,000 per annum or such larger amount as the Company may by ordinary resolution determine or, in the case of such Directors who are resident outside the UK, such extra remuneration as the Board may determine. Any Director who holds executive office or who performs duties outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or otherwise in connection with the business of the Company.

(xi) Directors' Interests

A Director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest in accordance with the Statutes.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise through the Company), except that this prohibition shall not apply to:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;
- (d) any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company. For the purpose of this paragraph, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder;
- (e) any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of *inter alia* any Directors of the Company;

and the Company may in general meeting at any time suspend or relax any such prohibitions or ratify any transaction not duly authorised by reason of a contravention of a prohibition.

(xii) Directors' Interests in Transactions

Subject to the provisions of the Statutes, and provided that he had disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested, may be a director or other officer of, or employed by, or a party to any transaction

or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested and shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Any Director may act by himself or by his firm in any professional capacity (other than auditor) and he or his firm shall be entitled to remuneration as if he were not a Director.

(xiii) Retirement Age

The provisions of Section 293 of the Act as to the retirement of Directors on reaching 70 apply to the Company.

(xiv) Qualification Shares

The Directors are not required to hold qualification shares.

(xv) Retirement

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third Annual General Meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may from time to time by ordinary resolution appoint any person to be a Director. The Directors may also from time to time appoint one or more Directors but any Director so appointed shall retire at or at the end of the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

(xvi) Executive Office

The Board may from time to time appoint one or more Directors to be the holder of any executive office for such period and on such terms as it decides.

(xvii) Borrowing Powers

The aggregate principal amount from time to time remaining undischarged of all monies borrowed by the Company (exclusive of intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to £3 million.

**4. Interests of Directors and Others**

- (a) The interests of the Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act (all of which are beneficial) 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 or 328 of the Act and 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 (assuming a maximum of 55,500,000 Placing Shares are issued) 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>
Nigel Robertson	34,000,000	34,000,000	32.2%
Haresh Kanabar	8,000,000	8,000,000	7.6%
John Vergopoulos	8,000,000	8,000,000	7.6%

Save as disclosed in this paragraph 4(a), none of the Directors nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, is interested in the 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 him.
- (c) Save as disclosed in paragraph 4(a) above, and as set out below, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or will be able to exercise control over

the Company or who is or will be interested in 3 per cent. or more of the issued share capital of the Company as at the date of this document or immediately following completion of the Placing (assuming a maximum of 55,500,000 Placing Shares are issued):

<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>
Blue Square Equity Investments Ltd	—	50,000,000	47.4%

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

	<i>Present</i>	<i>Past</i>
Haresh Damodar Kanabar	Aurum Mining Plc Gaming Insight Plc Hightower Construction Plc Silentpoint Plc Silvermines Media Plc	Corvus Capital Inc. TMV Finance Limited Spiritel plc
Nigel Alexander Spencer Robertson	Air-Weigh Europe Limited Ajabo Plc Brookspey Limited Gaming Insight (Holdings) Limited Gaming Insight Plc Hegira Plc Reflexion Cosmetics Plc Sports Resource Group Limited Spiritel plc	Agidel Technology Links Limited Avanti Holdings Plc Corvus Capital Inc. Elmgrove Partners Limited Plustheme Limited Robertson Bushby Media Limited ( <i>dissolved</i> )
John David Vergopoulos	Expo Communications Ltd J.V. Associates Ltd Reflexion Cosmetics plc Spiritel plc	ACM Wood Chemical Accounting Services Ltd ( <i>dissolved</i> ) ACM Wood Chemicals (Cyprus) ACM Wood Chemicals (Holdings) Ltd ACM Wood Chemicals (UK) Ltd ACM Wood Chemicals plc ( <i>administrative receiver</i> ) ACM Wood Holding SA (Luxembourg) Chimar Hellas SA Greece Delmar Group Ltd Delmar Recovery Systems Canada Ltd Delmar Recovery Systems Limited Malver Ltd Reschem Holding BV (Netherlands) Smith Communications Limited Smith Directories Limited ( <i>dissolved</i> ) SRS Technology Limited Setstone plc Thocar Ltd (Isle of Man) Woodchem Canada Limited (Canada) Internet News Network Limited ( <i>dissolved</i> ) The Exercise Channel Limited ( <i>dissolved</i> ) The Games Channel Ltd ( <i>dissolved</i> ) Xios Transcat Corporation Ltd ( <i>dissolved</i> ) XI TV plc ( <i>dissolved</i> )

- (e) John Vergopoulos is a former director of Internet News Network Ltd, which was placed into liquidation on 9 October 2001, following a compulsory court order to wind up the company on 8 June 2001 under the provisions of Insolvency Act 1986. John Vergopoulos resigned as a director of Internet News Network Ltd on 15 March 2001. The liquidation was completed on 29 July 2002 and the company was dissolved on 7 November 2002.

- (f) Nigel Robertson is a former director of Robertson Bushby Media Limited which was placed into liquidation on 16 July 1997 following a compulsory court order to wind up the company on 22 January 1997 under the provisions of the Insolvency Act 1986. Nigel Robertson was a director at the time the company went into liquidation. The liquidation was completed on 25 April 2000 and the company was dissolved on 12 August 2000.
- (g) Save as disclosed in paragraphs (e) and (f) above, no Director:
  - (i) has any unspent convictions in relation to indictable offences; or
  - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
  - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
  - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
  - (v) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
  - (vi) has 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. Directors' terms of employment

- (a) Hareesh Kanabar as Chief Executive and Finance Director and Nigel Robertson as Executive Chairman have each entered into a conditional service agreement with the Company with effect from the date of Admission. Each contract is terminable upon twelve months' notice by either party. Hareesh Kanabar and Nigel Robertson are entitled to initial salaries of £75,000 per annum and £50,000 per annum respectively (to be reviewed annually) plus pension contributions of 15 per cent. of salary per annum. Each agreement contains, *inter alia*, provisions regarding confidentiality, intellectual property, restrictions during employment and post-termination restrictive covenants applicable for 6 months following termination of employment.
- (b) John Vergopoulos has entered into an agreement with the Company to act as non-executive director with effect from the date of Admission. This appointment is for an indefinite period subject to one month's notice by either party and is also subject to the provisions of the Company's articles of association. He will receive £20,000 per annum payable in monthly instalments in arrears. He is subject to confidentiality obligations and provisions relating to conflicts of interest.
- (c) Save as disclosed above, there are no service agreements or letters of appointment in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.
- (d) It is estimated that the aggregate emoluments (including benefits in kind and pension contributions) of the Directors for the period ending 31 July 2005, assuming Admission, will amount to approximately £158,000 under the arrangements in force at the date of this document.

## 6. Material contracts

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

- (a) The Placing Agreement, pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 29 October 2004 (or such later time and/or date as Durlacher and the Company may agree, being not later than 30 November 2004), Durlacher has agreed to use reasonable endeavours to procure subscribers for the Ordinary Shares proposed to be issued by the Company at the Placing Price (without itself being obliged to subscribe for the Ordinary Shares).

The Placing Agreement contains, subject to certain limitations (including as to the amounts of claims that may be made against the Directors), certain indemnities, warranties and undertakings from the Company and the Directors in favour of Durlacher together with provisions which enable Durlacher to

terminate the Placing Agreement in certain circumstances prior to Admission, including in circumstances where any warranties are found not to be true or accurate in any material respect and in the event of certain *force majeure* events. If Admission does not take place on or before 29 October 2004 (or such later date as the Company and Durlacher may agree, not being later than 30 November 2004) the obligations of Durlacher will terminate. The Company will meet all fees and expenses associated with the Placing.

- (b) An agreement dated 21 September 2004 between the Company and Durlacher, pursuant to which Durlacher has agreed to advise and assist the Company in respect of Admission and to act as the Company's nominated adviser and broker on an ongoing basis until terminated by one month's written notice by either party. The agreement contains indemnities and warranties given by the Company to Durlacher. In respect of its work in connection with Admission, Durlacher will receive a corporate finance fee plus a broking commission. In respect of its ongoing nominated adviser and broker services, Durlacher will receive an annual retainer fee.
- (c) Each of Haresh Kanabar, Nigel Robertson and John Vergopolous have entered into individual deeds of restriction with the Company and Durlacher all dated 26 October 2004 pursuant to which they have each covenanted not to dispose of any interests in the securities of the Company during the period of twelve months following Admission, save in certain circumstances permitted by the AIM Rules (including in connection with a general or partial takeover offer). In each case, the parties have also agreed that for a period of 12 months from the first anniversary of the date of Admission that they will only sell or dispose of any Ordinary Shares through Durlacher (or the Company's broker from time to time) in order to maintain an orderly market. These deeds currently apply, in aggregate, to 50,000,000 Ordinary Shares held at Admission.

## 7. Taxation

The following is a general summary of certain UK tax consequences of the ownership of the Ordinary Shares for UK resident shareholders. This summary is based on current UK tax law and Inland Revenue practice at the date of this document. It assumes that the persons referred to in this section are beneficially entitled to the Ordinary Shares as an investment and does not address the tax consequences which may be relevant to certain other categories of UK shareholders such as financial institutions and dealers in securities or where the Ordinary Shares are acquired in connection with an employment. It does not purport to be a complete analysis of all the potential tax effects relevant to a decision to invest in the Ordinary Shares, nor should it be considered to be legal or tax advice to any potential investor. Accordingly, prospective investors who are in any doubt as to their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom are urged to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of the Ordinary Shares based upon their particular circumstances.

### 7.1 Taxation of dividends for UK income tax payers

Under current UK tax legislation no UK tax will be withheld from any dividend paid by the Company.

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "Gross Dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the Gross Dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual shareholder who is not liable to income tax in respect of the Gross Dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at the starting or basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set off of the tax credit is that such a shareholder will have to account for additional tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the amount of the dividend received).

### 7.2 Taxation of dividends — Other UK taxpayers

The trustees of certain trusts may also have further tax to pay on dividends.

UK resident corporate shareholders, subject to certain very limited exceptions, are not liable to UK corporation tax in respect of dividends received from the Company.

Pension funds and most UK corporate shareholders are not, however, entitled to claim a refund of tax credits from the Inland Revenue.

### 7.3 *Taxation of capital gains for UK resident shareholders*

A disposal of all or part of the Ordinary Shares by a person who is resident or ordinarily resident in the UK for tax purposes may give rise to a liability to taxation on chargeable gains (“CGT”) depending on individual circumstances. Individuals, personal representatives and trustees may be entitled to taper relief which may operate to reduce the chargeable gains subject to CGT. Companies are not entitled to taper relief, but are entitled to indexation relief which may reduce the taxable chargeable gains. Indexation relief cannot be used to create or increase a loss. There are provisions contained in the Finance Act 2002 which operate to remove from the scope of taxation on chargeable gains for UK companies certain gains (or losses) arising on disposals of shares where such shares constitute part of a substantial holding (defined as at least 10 per cent. of the ordinary share capital) in a company subject to a number of conditions.

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

No charge to stamp duty or stamp duty reserve tax (“SDRT”) will arise on the registration of applications for Ordinary Shares under the Placing. Transfers of or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given rounded up to the next £5.00). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid.

### 7.5 *Inheritance tax*

The Ordinary Shares will be assets situated in the UK for the purposes of inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets might, subject to certain exemptions and reliefs, including business property relief, give rise to a liability to inheritance tax. A transfer of such assets at less than market value may be treated as a gift for inheritance tax purposes.

## **8. Working capital**

In the Directors’ opinion, having made due and careful enquiry and after taking account of the net proceeds of the Placing, 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, nor is it currently engaged in, any litigation or arbitration 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 31 July in each year;
- (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(a) of Schedule 1 to the Regulations is £1,750,000, which will be applied as follows:
  - (i) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Placing — £nil;
  - (ii) any preliminary expenses payable by the Company and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any Ordinary Shares — approximately £450,000 (including VAT);
  - (iii) the repayment of any money by the Company in respect any of the matters referred to in (i) or (ii) above — £nil; and

(iv) working capital — £1,300,000.

There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in this paragraph 10(b).

- (c) Durlacher has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- (d) BDO Stoy Hayward LLP have given and have not withdrawn consent to the issue of this document with the inclusion of their Accountants' Report in Part III above and the references to such report and to their name in the form and context in which they appear.
- (e) The total expenses payable by the Company in connection with the Placing and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £450,000 (including VAT).
- (f) The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, other than the Company's application for its entire issued ordinary share capital to be admitted to trading on AIM, no applications for such admission have been made.
- (g) There are no trademarks, patents, licenses or contracts relating to intellectual property which are of fundamental importance to the Company's business or profitability.
- (h) Save as disclosed in this document, no person 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.
- (i) Each of the Directors is, or may be deemed to be, a promoter of the Company.
- (j) The financial information concerning the Company for the relevant accounting period set out in the Accountants' Report in Part III does not constitute statutory accounts of the Company within the meaning of section 240 of the Act. The Company has not prepared any statutory accounts since its incorporation.
- (k) The Placing Price represents a premium over nominal value of 9.9p per Ordinary Share.
- (l) There has been no material change in the financial or trading position of the Company since its incorporation.
- (m) The Directors are not aware of any exceptional factors which have influenced the Company's activities.
- (n) The Company has no investments in progress which are or may be significant.
- (o) The period within which Placing participations may be accepted pursuant to the Placing and the arrangements for paying for the Placing Shares are set out in the placing letters to placees. All moneys received from applicants will be held by Durlacher prior to issue of the shares. If any application is unsuccessful, any moneys returned will be sent by cheque crossed "A/C Payee" in favour of the first named applicant. Any moneys returned will be sent by first class post at the risk of the addressee within three business days of the completion of the Placing. Share certificates will where relevant be sent to successful applicants by first class post at the risk of the applicant within ten days of the completion of the Placing.
- (p) Temporary documents of title will not be issued in connection with the Placing. Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register of members of the Company.
- (q) Copies of this document will be available free of charge at the Company's registered office and from the offices of the Company's nominated adviser, Durlacher, at Moorgate Hall, 155 Moorgate, London EC2M 6XB during normal office hours on any weekday (Saturday and public holidays excepted), from the date of this document until the date which is one month following Admission.

Dated: 26 October 2004

