

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 for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an admission document, has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) (the "POS Regulations") and rules of AIM, a market operated by London Stock Exchange plc ("AIM"). This document is not a prospectus and has not been delivered to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations. Copies of this document will be available for inspection, free of charge, to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of KBC Peel Hunt Ltd at 111 Old Broad Street, London EC2N 1PH from the date of this document and from Admission, which is expected to take place on 18 February 2005, for a period of one month.

Application has been made for the whole of the ordinary share capital, issued and to be issued pursuant to the Placing, of NeutraHealth plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

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 his or her own independent financial adviser.

London Stock Exchange plc has not itself examined or approved the contents of this document.

The Rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List of the United Kingdom Listing Authority. It is expected that dealings in the Ordinary Shares will commence on AIM on 18 February 2005.

The Directors of NeutraHealth plc (the "Company") whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of this document should be read. Your attention is particularly drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in the section entitled "Risk Factors" in Part II of this document.

NEUTRAHEALTH PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 5290247)

Placing of 15,000,000 Ordinary Shares of 10p each at 10p per share

and

Admission to trading on AIM

by

KBC PEEL HUNT LTD

Nominated Adviser and Broker

The Placing is conditional, *inter alia*, on Admission taking place on or before 18 February 2005 (or such later date as the Company and KBC Peel Hunt may agree being not later than 5pm on 1 March 2005). The Placing Shares will rank *pari passu* in all respects with all other Ordinary Shares in issue on Admission.

KBC Peel Hunt Ltd ("KBC Peel Hunt"), which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to the Company in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Persons receiving this document should note that, in connection with the Placing and Admission, KBC Peel Hunt Ltd is acting exclusively for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of KBC Peel Hunt Limited, or for advising any other person on the transactions and arrangements described in this document.

The Placing described in this document is only being made in the United Kingdom. This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the applicable laws of the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

In making any investment decision in respect of the Placing, no information should be relied upon by prospective investors in relation to the Placing or in relation to the Placing Shares other than as contained in this document. No person has been authorised to give any information or make any representation other than as contained in this document and, if given or made, any such information or representation must not be relied upon as having been authorised.

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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”	admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by London Stock Exchange plc
“AIM Rules”	the rules published by London Stock Exchange governing admission to, and operation of, AIM
“Articles of Association” or “Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company whose names are set out on page 7 of this document
“Business Day”	a day on which banks in the City of London are open for a full range of banking transactions
“NeutraHealth” or the “Company”	NeutraHealth plc, a company incorporated in England and Wales with registered number 5290247
“Combined Code”	the code of best practice, including the principles of good governance, titled the “Combined Code on Corporate Governance” published by the Financial Reporting Council in July 2003 and appended to, but not forming part of, the Listing Rules of the UKLA
“CREST”	the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held or transferred in uncertificated form
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“drugstores”	branded retail outlets, primarily selling non prescription pharmaceuticals, nutraceuticals and other consumer goods
“EIS”	the Enterprise Investment Scheme and related reliefs as detailed in Chapter III, Part VII of the Income and Corporation Taxes Acts 1988 and in sections 150A to 150C and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended)
“Enlarged Issued Share Capital”	the Existing Ordinary Shares together with the Placing Shares
“EU”	European Union
“Executive Bonus Scheme”	the NeutraHealth executive bonus scheme, having the meaning given in paragraph 5 of Part IV of this document
“Executive Directors”	the executive directors of the Company from time to time
“Existing Ordinary Shares”	the 12,590,002 Ordinary Shares in issue at the date of this document
“FSA”	Financial Services Authority

“FSMA”	the Financial Services and Markets Act 2000
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“London Stock Exchange”	London Stock Exchange plc
“MBA”	a Masters degree in Business Administration
“Non-Executive Directors”	the non-executive directors of the Company from time to time
“Nutraceutical”	a food or naturally occurring food supplement thought to have a beneficial effect on human health
“Official List”	the Official List of the UKLA (“officially listed” shall be construed accordingly)
“Option Scheme”	the unapproved NeutraHealth share option scheme, having the meaning given in paragraph 4.1 of Part IV of this document
“Ordinary Share Capital”	the issued ordinary share capital of the Company
“Ordinary Shares”	the ordinary shares of 10 pence each in the capital of the Company from time to time
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as described in this document
“Placing Agreement”	the conditional agreement dated 10 February 2005 between the Company (1), the Non-Executive Directors (2), the Executive Director (3), and KBC Peel Hunt (4) relating to the Placing, details of which are set out in paragraph 12.1 of Part IV of this document
“Placing Price”	10 pence per Placing Share
“Placing Shares”	the 15,000,000 new Ordinary Shares to be allotted and issued by the Company and subscribed for under the Placing
“POS Regulations”	the Public Offer of Securities Regulations 1995 as amended
“Probiotic”	a food or supplement containing live bacteria which may have health benefits when ingested
“Shareholders”	holders of Ordinary Shares in the capital of the Company
“SME”	Small and Medium sized Enterprise
“subsidiary”	as defined in section 736 and 736A of the Act
“UK Listing Authority” or “UKLA”	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modification thereof or any regulations in substitution therefore made under section 207 of the Companies Act 1989 and for the time being in force
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland

“United States” or “US”
or “USA”

the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction

“VCT”

a Venture Capital Trust for the purposes of section 842AA and Schedule 28B of the Income and Corporation Taxes Act 1988

“VMS”

Vitamin and Mineral Supplements

PLACING STATISTICS

Placing Price	10 pence
Number of Existing Ordinary Shares	12,590,002
Number of Placing Shares being issued under the Placing	15,000,000
Number of Ordinary Shares issued pursuant to the consultancy arrangements in paragraph 9 of Part IV	500,000
Enlarged Issued Share Capital on Admission	28,090,002
Market capitalisation following the Placing at the Placing Price	£2.8 million
Percentage of Enlarged Issued Share Capital being subject to the Placing	53.4 per cent.
Gross proceeds of the Placing	£1.5 million
Net proceeds to be received by the Company (exclusive of applicable VAT)	£1.34 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings in the Ordinary Shares to commence on AIM	18 February 2005
CREST accounts credited by	18 February 2005
Despatch of definitive share certificates (where applicable) by	1 March 2005

DIRECTORS, SECRETARY AND ADVISERS

Directors: **Salvatore Martin Gatto** (*Non-Executive Chairman*)
Michael Hjelm Toxvaerd (*Chief Executive*)
Anthony Bruton Meyrick Good (*Non-Executive Director*)
Raymond Albert Hill (*Non-Executive Director*)
Sir Gulam Kaderbhoy Noon MBE (*Non-Executive Director*)

all of:

Registered Office: 6 Caledon Road
Beaconsfield
Buckinghamshire HP9 2BX

Company Secretary: **David John Quinn**
6 Caledon Road
Beaconsfield
Buckinghamshire HP9 2BX

**Nominated Adviser
and Broker:** **KBC Peel Hunt Ltd**
111 Old Broad Street
London
EC2N 1PH

Solicitors to the Company: **Pinsent Masons**
Dashwood House
69 Old Broad Street
London EC2M 1NR

Solicitors to the Placing: **Hunton & Williams**
Fleetway House
25 Farringdon Street
London EC4A 4AB

**Auditors and Reporting
Accountants:** **RSM Robson Rhodes LLP**
186 City Road
London EC1V 2NU

Principal Bankers: **Adam & Company PLC**
22 Charlotte Square
Edinburgh EH2 4DF

Registrars: **Capita Registrars**
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

PART I

INFORMATION ON THE COMPANY

Background and general information on the Company

NeutraHealth was formed in November 2004 to acquire SMEs in sectors of the growing Nutraceutical industry. Initially, the Directors intend to target and develop cash generative, niche focused and high growth businesses in the VMS and Probiotic sectors.

The Directors believe that the Placing and Admission will establish the Company as a credible buyer of target companies. NeutraHealth is currently a cash shell with no operating business and cash reserves of £1.26 million. The Placing will raise an additional £1.5 million before expenses. The Company expects to raise additional finance, either through raising debt and/or through the issue of further equity, to complete any acquisitions that may be agreed. The Directors are confident that the Company's cash resources following the Placing can be fully invested within two years following the date of Admission. Should this not prove possible, at the end of this two year period a proposal will be put to Shareholders in a general meeting to determine whether the Company's funds should be returned to Shareholders.

The Directors consider there is an excellent opportunity to build, initially through acquisition, a successful group focused on the production and distribution of VMS and Probiotic products through retail and other distribution channels.

The Directors collectively have many contacts and connections in the Nutraceutical industry and intend to use their general experience of mergers and acquisitions and growing businesses, including SMEs, to enable them to identify profitable concerns with scope for growth.

The opportunity

The Nutraceutical market, consisting of organic foods, functional foods (including Probiotic products), VMS and alternative remedies grew by 110 per cent.¹ from £0.99 billion in 1998 to £2.08 billion in 2002, aided by the development of in-store pharmacies and sections dedicated to health foods in supermarkets. The market is projected to grow by 10-15 per cent. annually until 2007, which the Directors believe is directly linked to the ageing population in the UK. The 35-64 age group, which has shown a greater interest in the potential health benefits of using VMS and Probiotics in their diet, is projected to grow by 11 per cent. from 1998 to 2007².

The UK VMS market was estimated to be worth £390 million¹ in 2002 and consists of a range of more than 4,000 products, including single vitamins, multivitamins, fish oils, garlic, cod liver oil and other minerals. It is believed that 43 per cent.¹ of British adults use VMS products, the majority of whom use them on a daily basis. The Directors estimate this will grow over the next few years as an increasing number of people use VMS and Probiotics as a means of adding vitamins and minerals to their diet. The main distribution channels for VMS are pharmacies, supermarkets, drugstores, health food stores and mail order.

The British VMS market is fragmented, consisting of a range of SMEs with specialist offerings as well as some mainstream diversified multinationals and other larger specialist manufacturers. Products produced by the SME sector accounted for approximately 56 per cent. of VMS sales in Great Britain in 2003 and the Directors believe there are over 350 companies in the sector. In the Directors' experience SMEs in the sector tend to be owner-managed and have either a strong product portfolio with limited distribution or well branded niche products. The Directors believe that a number of owner-managed businesses can be targeted.

The Directors believe the Probiotic market is under developed with a number of companies beginning to invest in developing product portfolios and that exploitation of this market will lead to further growth over the next few years.

Note 1:

From "Health Foods Plus 2003", Key Note Limited, www.keynote.co.uk.

Note 2:

From "Vitamins and Mineral Supplements, 2003", Mintel, www.mintel.com.

Following the completion of an acquisition, the Directors intend to use their retail industry experience to increase the number of distribution channels and therefore sales of products of acquired companies.

Market regulation

Since the early 1990's plans have developed across the EU to harmonise legislation within the VMS sector. In 2002 EU Directive 2002/46/EC came into force and detailed a list of substances that may be used in the manufacture of food supplements, and the labelling requirements for such supplements. The Directive will be fully implemented in the UK by August 2005, but will be revisited no later than August 2007 for amendments. However, all substances accepted by the European Food Safety Authority, in use prior to 2002 even if not on the permitted substance list, can be used until 31 December 2009.

The Directors believe that harmonisation of legislation across the EU will provide the Company with further opportunities to export products from the UK following the Company's first acquisition. Furthermore the Directors believe that the harmonisation of legislation will bring more credibility to the VMS sector.

Acquisition and management strategy

The Directors will have regard, amongst others, to the following criteria in assessing potential acquisitions:

- strong product portfolio, in adherence with EU Directives;
- strong growth potential;
- cash generation and profitability;
- further retail and export potential; and
- high levels of repeat business.

Initially the Directors intend to target companies that have sales of up to £15 million per annum. However there will be no minimum or maximum number of acquisitions made or any limits placed on the size of those acquisitions. The Directors do not intend to invest in start-up companies.

Potential acquisitions will be identified and reviewed by the Company and initial screening and due diligence will be carried out by the Company and its advisers. Any decision whether to proceed will be made by the decision of the Board. Professional advisers will be used where appropriate but the Company will endeavour to keep this to a minimum in order to control expenses.

The Board has considerable experience and contacts in the retail sector and the Directors believe that this will facilitate both the development of distribution channels of acquired companies and brand expansion into retail outlets such as supermarkets, pharmacies and multiples, both domestically and overseas.

As the number of companies acquired grows, the Directors believe that cost savings and efficiencies can be achieved by centralising support functions such as financial management, marketing and promotion and product development.

As far as possible the Directors intend to retain key employees of any acquired businesses. However, where necessary, the Directors will recruit additional staff.

Reasons for the Placing

The proceeds of the Placing will be used to identify and carry out due diligence on potential target acquisitions and to provide working capital for the Company's initial operations in line with its acquisition strategy.

The Directors believe that Admission will have the following benefits:

- the status of being a company with publicly traded shares is likely to enhance the Company's reputation;

- the ability to incentivise staff through the use of share options may be important in retaining key employees; and
- shareholders will have access to a regulated market in which to buy and sell shares in the Company.

Directors

The Directors of NeutraHealth are:

Martin Gatto, 54, (Non-Executive Chairman)

Martin has considerable experience as Chief Financial Officer of a number of large public companies, most recently implementing successful turnaround strategies at British Energy Plc, Midland Electricity plc and Somerfield plc. Prior to that he gained international experience as Chief Financial Officer at Hilton International Co where he was also responsible for business development and property. He is a graduate of Brunel University and is a Fellow of the Chartered Institute of Management Accountants. Martin also holds a number of non-executive directorships, including Luminar plc.

Michael Toxvaerd, 30, (Chief Executive)

Michael has led high growth SME businesses within a variety of sectors. He was most recently CEO of Danish Electronics Group SEM Holding A/S during a three year period of growth rates, rapid expansion and industry consolidation. He is also a Non-Executive Director of Danish construction company Eske Huse A/S. Michael recently completed an MBA at Cranfield School of Management, part of Cranfield University.

Anthony Good, 71, (Non-Executive Director)

Anthony founded the Good Relations Group, which was the first public relations company to be quoted on the London Stock Exchange. He has more recently operated as an independent consultant to Marks & Spencer plc, Scottish & Newcastle plc and Linklaters. Previous directorships include Gowrings plc, Norfolk Capital Group plc, Nolton plc, Care First plc and Arcadian International plc.

Raymond Hill, 71, (Non-Executive Director)

Raymond is a Director of the British Herbal Medicine Association having previously been Secretary. He was also Chairman of the Health Food Institute from 1996 to 2002 and is an Honorary Member of the National Institute of Medicinal Herbalists. Raymond has considerable experience as a health food retailer, distributor and mail order operator. He is a Member of the Chartered Institute of Marketing.

Sir Gulam Noon, MBE, 69, (Non-Executive Director)

Sir Gulam is the founder and Chairman of Noon Products Limited, one of the largest suppliers of Indian food products into Britain's major supermarkets including Sainsburys, Waitrose, Morrisons and Safeway. He currently holds a number of high profile positions in industry and commerce. Sir Gulam is also Chairman and Managing Director of Bombay Halwa Ltd, suppliers of indian sweets and aviation catering. He is a board member and was formerly President of the London Chamber of Commerce and Industry, was the founder Chairman of the Asian Business Association and is a board member of Transport for London (TFL). Sir Gulam was awarded the 'Best Business Leader' Award at the SAGE Business Awards in 2003.

Save for the Company Secretary and as disclosed above, there are no other officers or employees of the Company as at the date of this document. It is intended that new suitable staff will be employed following Admission and on the acquisition of target companies.

Interests of Directors and lock-in agreements

The Directors have invested a total of £715,000 in the Ordinary Shares further information of which is set out in paragraph 7 of Part IV of this document.

On Admission and after the Placing, the interests of the Directors and their associates will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>% holding</i>	<i>Options to acquire Ordinary Shares</i>
Martin Gatto	1,000,000	3.56%	1,404,500
Michael Toxvaerd	1	0.00%	2,809,000
Anthony Good	3,000,000	10.68%	–
Raymond Hill	150,000	0.53%	–
Sir Gulam Noon	3,000,000	10.68%	–

Bonus and Share Option Schemes

The Company has established an Executive Bonus Scheme, further details of which are set out in paragraph 5 of Part IV of this document.

The Directors believe that equity incentives are central to the attraction and retention of quality personnel. The Company has therefore created an Option Scheme under which options over shares equivalent to a maximum of 15 per cent. of the issued share capital from time to time shall be made available to management and staff. Further details of the Option Scheme are set out in paragraph 4 of Part IV of this document.

The Board regards Michael Toxvaerd as central to the success of the Group. Accordingly he will be granted additional share options conditional on Admission taking place before 5pm on 1 March 2005 and following the Company's first acquisition so that the level of his option holding is maintained at a number of shares equivalent to 10 per cent. of the Company's issued Ordinary Share Capital after those events. Additional options will also be granted to Martin Gatto following Admission so that his option holding is maintained at a number of shares equivalent to 5 per cent. of the issued Ordinary Share Capital at that time. These additional options will be granted with option prices equal to the nominal value of the Company's shares (10p). The terms of these options are further described in paragraph 4.12 of Part IV of this document.

In accordance with Rule 7 of the AIM Rules (or by agreement on similar terms), each of the Directors and their associates have agreed not to dispose of any interest in Ordinary Shares at the date of Admission, including Ordinary Shares to be issued from the future exercise of options to acquire such Ordinary Shares, for a period of two years following Admission, save as permitted by the AIM Rules or, in the second year by agreement with the Company's broker, and have further agreed that in the third year following Admission they will only sell their shares through the Company's broker at that time.

Incorporation, funding and authority to issue shares

NeutraHealth was incorporated on 18 November 2004 and has not traded. Since its incorporation, the Company has raised a total of £1,259,000.20 through the issue of 12,590,002 Ordinary Shares.

Following completion of the Placing, the Company is expected to have net cash balances in excess of £2.5 million.

Following Admission and Placing, the Directors have authority to allot 21,909,998 Ordinary Shares whether for cash or otherwise on a non pre-emptive basis representing all of the authorised and unissued share capital of the Company. This means that the Directors, following Admission and Placing may allot and issue 21,909,998 new Ordinary Shares for cash or non-cash consideration without further reference to Shareholders (unless required by law or otherwise).

The Placing and Admission

Through the Placing, the Company intends to issue 15,000,000 Ordinary Shares in order to raise gross proceeds of £1.5 million. The Placing Shares have been conditionally placed by KBC Peel Hunt, as agent for the Company, with institutional and other investors in the UK in accordance with the terms of the Placing Agreement, further details of which are set out in paragraph 12.1 of Part IV of this document.

In the Placing Agreement, the Company and the Directors have undertaken that should the net proceeds of the Placing not be fully invested in accordance with the business strategy outlined in Part I of this document within two years from the date of Admission, a proposal will be put to Shareholders in general meeting to determine whether and if so how the Company's funds should be returned to Shareholders.

The Placing is subject to the conditions set out in the Placing Agreement, including Admission occurring on or before 1 March 2005.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on 18 February 2005.

All Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price, are of the same class and rank *pari passu* with the Enlarged Issued Share Capital.

Corporate governance

The Directors support high standards of corporate governance and confirm that following Admission, the Company intends (having regard to its size and nature) to comply, so far as it considers practicable and appropriate, with the Combined Code. The Company will hold Board meetings at least quarterly. The Board will be responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The Directors have established a remuneration committee comprising Sir Gulam Noon and Anthony Good. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Chief Executive, the Chairman of the Company (if an Executive Director), all other Executive Directors, the Company Secretary and such other persons as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

As the Company grows following the acquisition of appropriate VMS and Probiotic companies or businesses, the Directors will establish an audit committee to receive and review reports from management and from the auditors relating to the interim and annual accounts and to the system of internal financial control.

The Directors intend to comply with Rule 19 of the AIM Rules relating to the directors' dealings as applicable to AIM companies and they will adopt a share dealing code based on the Model Code for directors' dealings as set out in the Listing Rules of the UKLA, prior to Admission.

Annual expenses

The Directors intend that on-going annual operating expenses (excluding any costs associated with carrying out due diligence on, and the documentation of, potential acquisitions) will not exceed £200,000 until the completion of the first acquisition by the Company.

Dividend policy

The Directors consider it unlikely that the Company will pay dividends for the foreseeable future. The Directors do not intend to pay a dividend prior to making the first investment. Following the first acquisition the Directors will consider the cash requirements of the Company and will, if appropriate, consider paying dividends to Shareholders. The main focus of the Company will be on delivering capital growth for Shareholders.

CREST

The Articles of Association of the Company permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in the CREST system if the relevant shareholders wish.

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

EIS and VCT investment reliefs

Provisional approval is being sought from the Inland Revenue that the Company should qualify as a qualifying company for the purposes of EIS and VCT provisions. Further information on EIS tax reliefs is set out in paragraph 16 of Part IV of this document. Any persons who are in any doubt as to their taxation position should consult their professional taxation adviser. Upon Admission however it should be noted that the Company will have no trading activity.

Individuals should note that the Company may only apply for tax relief certificates four months after its first acquisition has been completed. Once the Inspector is satisfied that tax relief certificates should be issued, he will send to the Company a form EIS 2 (authorisation) and EIS 3 tax relief certificates to be completed by the Company and investor as appropriate. The Company intends to supply certificates to those investors who have specified that they wish to subscribe under EIS as soon as possible after its four month qualifying trading period has been completed.

No guarantee is given that the future activities of the Company will be such as to obtain or retain any qualifying company status for EIS or VCT purposes.

Further information

Your attention is drawn to the additional information in Parts II to IV of this document.

PART II

RISK FACTORS

The Directors consider the following risks to be the most significant for potential investors in the Company. The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in NeutraHealth. In particular, the Company's performance may be affected by changes in the market and/or economic conditions in legal, regulatory and tax requirements.

An investment in Ordinary Shares involves a high degree of risk. Accordingly prospective investors in Ordinary Shares should carefully consider all the information in this document and the risks attaching to an investment in the Company, including but not limited to those risks set out below.

AIM

The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. Furthermore, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List.

The market price of the Ordinary Shares may not reflect the underlying value of the assets of the Company. The market in the Ordinary Shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for investors to sell their Ordinary Shares and they may receive less than the amount originally invested.

No trading history

The Company has not commenced trading and will only do so once it has identified and completed an investment.

Barriers to entry and competition

The Company will initially be dependent upon the ability of the Directors to identify suitable companies or groups of companies for investment some of which may be offered for sale in competitive circumstances.

Management and staff

The success of the Company will be influenced by the recruitment of and retention of high calibre management.

Requirement for additional capital and capital risk

The Company may be unable to effect an investment in an identified opportunity, as a consequence of which, resources might have been expended without reward on investigative work and due diligence. The Company is likely to need to conduct further fundraising exercises in the future in order to develop its business and sustain cash resources.

EIS/VCT

Provisional approval is being sought from the Inland Revenue that the Company should qualify as a qualifying company for the purposes of EIS and VCT provisions. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if given, such relief or status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document during the three year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company under the

EIS and VCT scheme. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS relief (including Capital Gains Tax) or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any shareholder.

If the Company does not employ at least 80 per cent. of the proceeds of an EIS/VCT share issue (and other shares of the same class issued on the same day) for qualifying trading purposes within 12 months of the Company starting its trade, and the remainder within 24 months of this date, the EIS shares would cease to be eligible shares and all of the EIS tax reliefs of investors would be withdrawn.

In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

EU legislation

EU legislation governing the VMS sector may be subject to further review in the future. Any changes in the legislation may adversely impact the sector.

AN INVESTMENT IN NEUTRAHEALTH PLC MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN INVESTMENTS OF THIS KIND, OR AN APPROPRIATELY QUALIFIED TAXATION ADVISER, PRIOR TO INVESTING.

PART III

ACCOUNTANTS' REPORT

The following is the full text of a report by RSM Robson Rhodes LLP, the Reporting Accountants to the Company.

The Directors
NeutraHealth plc
6 Caledon Road
Beaconsfield
Buckinghamshire
HP9 2BX

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1PH

11 February 2005

Dear Sirs

NeutraHealth plc (the "Company")

Introduction

We report on the financial information of the Company set out below. The financial information has been prepared for inclusion in the Admission Document of the Company dated 11 February 2005 ("the Admission Document").

Basis of preparation

The financial information set out below is based on the transactions of the Company from incorporation on 18 November 2004 to 1 February 2005.

Responsibility

The Directors of the Company are responsible for the contents of the Admission Document in which the report is included. It is our responsibility 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.

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 dated today, a true and fair view of the state of affairs of the Company as at 1 February 2005.

Financial information

The Company was incorporated on 18 November 2004. The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since its incorporation.

The total authorised share capital of the company on incorporation was £5,000,000 comprising 50,000,000 ordinary shares of 10 pence each and two subscriber shares of 10 pence each were issued credited as fully paid.

As at 1 February 2005, the Company has carried out no trading and the only other transactions of the Company have been as follows:

- On 25 November 2004, 2 subscriber shares of 10 pence each were transferred.
- On 16 December 2004, 11,990,000 Ordinary Shares were issued for cash at par.
- On 30 December 2004, 450,000 Ordinary Shares were issued for cash at par.
- On 13 January 2005, 150,000 Ordinary Shares were issued for cash at par.
- Interest of £4,000 was received and costs totalling £10,000 were incurred in respect of salaries and professional fees.

As a result of the above transactions, at 1 February 2005, the Company had £1.26m in cash and £1.26m of issued share capital.

Consent

We consent to the inclusion in the Admission Document dated 11 February 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

RSM ROBSON RHODES LLP

PART IV

ADDITIONAL INFORMATION

1. Responsibility

The Directors of the Company, whose names appear on page 7, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Status of the Company

- 2.1 The Company was incorporated and registered in England and Wales on 18 November 2004 with the name NeutraHealth plc as a public limited company under the Act with registered number 5290247.
- 2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 2.3 The Company was issued with a certificate pursuant to section 117 of the Act (allowing it to carry on business and to exercise its borrowing powers) on 4 February 2005.
- 2.4 The Company's principal activity is that of a general commercial company.
- 2.5 The liability of the members of the Company is limited.
- 2.6 The Company's registered office is located at 6 Caledon Road, Beaconsfield, Buckinghamshire HP9 2BX.

3. Share Capital of the Company

- 3.1 At the date of its incorporation, the Company had an authorised share capital of £5,000,000 divided into 50,000,000 ordinary shares of £0.10 each of which two ordinary shares of 10 pence each were issued to the subscribers credited as fully paid.
- 3.2 On 25 November 2004 pursuant to resolutions of the shareholders of the Company new Articles of Association of the Company were adopted.
- 3.3 On 10 December 2004 pursuant to resolutions of the shareholders of the Company:
 - 3.3.1 the Directors' authority to allot shares was extended to expire on the fifth anniversary of the passing of the resolution and to cover all unissued shares;
 - 3.3.2 the Directors were given power in accordance with section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to the allotment.
- 3.4 On 16 December 2004, 11,990,000 Ordinary Shares were issued for cash at par.
- 3.5 On 30 December 2004, 450,000 Ordinary Shares were issued for cash at par.
- 3.6 On 13 January 2005, 150,000 Ordinary Shares were issued for cash at par.
- 3.7 As at the date of this document, the Company has an authorised share capital of £5,000,000 divided into 50,000,000 Ordinary Shares and a fully paid up or credited as fully paid up issued share capital of £1,259,000.20 divided into 12,590,002 Ordinary Shares.
- 3.8 Immediately following the Placing and Admission, the authorised share capital of the Company will be £5,000,000 divided into 50,000,000 Ordinary Shares and the issued share capital will be £2,809,000.20 divided into 28,090,002 Ordinary Shares each fully paid or credited as fully paid.

- 3.9** Immediately following the Placing and Admission, the Directors will have authority pursuant to section 80 of the Act to allot relevant securities representing all of the authorised and unissued share capital of the Company.
- 3.10** Save as disclosed in this document, the Directors have no present intention of issuing any part of the authorised but unissued share capital.
- 3.11** The provisions of section 89(1) of the Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and upon Admission will apply to the whole of the authorised but unissued share capital of the Company except to the extent disappplied by the resolutions referred to in paragraph 3.9 above.
- 3.12** Save as disclosed in this document:
- 3.12.1** no unissued share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash;
 - 3.12.2** there has been no listed or unlisted securities issued by the Company not representing share capital and there are no convertible securities issued by the Company;
 - 3.12.3** no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
 - 3.12.4** there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises; and
 - 3.12.5** no commission, discount, brokerage or other special terms has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.
- 3.13** The Placing Shares that are being issued by the Company under the Placing are being issued at a price of 10p per Ordinary Share. The Placing Price is payable in full in cash on application. No applications for Placing Shares have been or will be accepted other than under the terms of the Placing Agreement and the placing letters sent to prospective places under the Placing. All Placing Shares have been conditionally placed.
- 3.14** The 500,000 Ordinary Shares issued pursuant to the arrangements set out in paragraph 9 of this Part IV are being issued credited as fully paid up at a price of 10p per Ordinary Share.
- 3.15** None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.
- 3.16** The Ordinary Shares in issue at the date of this document are in registered form. The Ordinary Shares issued on Admission will be represented by definitive certificates and will be freely transferable in registered form. It is expected that definitive certificates will be despatched by 1 March 2005.

4. Unapproved Share Option Scheme

4.1 The NeutraHealth Share Option Scheme

NeutraHealth has established The NeutraHealth Share Option Scheme in order to allow selected employees to share in the success of the group and promote motivation and retention. The operation of the Option Scheme will be overseen by the Board's Non-Executive Directors.

The terms of the Option Scheme are set out in summary below.

4.2 Eligibility

Any employee including an executive Director of the group is eligible to participate in the Option Scheme. Options will also be granted to the Non-Executive Chairman on terms equivalent to the Option Scheme.

4.3 Grants of options

Options may be granted at the discretion of the Board. Options may be granted at any time save that after Admission all grants must be made in accordance with the AIM rules (and must not therefore be made in a close period as defined in the AIM rules).

4.4 The option price

Unless the Board determines otherwise, the price per share at which Ordinary Shares may be acquired on the exercise of options will be the market value of an Ordinary Share on the date of option grant as determined by the Board, and where Ordinary Shares are to be acquired by subscription, shall not be less than the nominal value of an Ordinary Share.

4.5 Overall limit on the issue of Ordinary Shares

No option may be granted under the Option Scheme if it would cause the number of new shares issued or issuable pursuant to options or awards granted in the preceding 10 years under any employees' share plan established by the Company to exceed 15 per cent. of the Company's issued Ordinary Share Capital at the date of grant. Any options granted prior to or in connection with Admission are excluded from this calculation.

4.6 Individual limit on the value of Ordinary Shares over which options are granted

The maximum number of Ordinary Shares that may be subject to a grant of options made to any person in any year will be limited to Ordinary Shares with a market value equal to 200 per cent. of a participant's annual basic salary, unless the Board determines that exceptional circumstances justify this limit being exceeded. This limit will not apply to the grants of options described in paragraph 4.12 below.

4.7 Exercise of options

An option granted under the Option Scheme may be exercised after the second anniversary of the date of grant. Options cannot in any event be exercised after the tenth anniversary of the date of grant.

The Board may impose performance conditions when options are granted and which will have to be satisfied before options may be exercised.

If an optionholder ceases to hold office or employment with the NeutraHealth group, all of that individual's options will normally lapse. However, the Board will have discretion to permit individuals to retain their options on leaving.

4.8 Takeover, reconstruction, winding-up and demerger

Exercise of options within specified periods is permitted in the event of a takeover of the Company, on a reconstruction of the Company, in the event of a voluntary winding-up, or (at the discretion of the Board) on a demerger. On a demerger, an option may only be exercised to the extent permitted by the Board.

In the circumstances of a takeover, a reconstruction, or a voluntary winding-up or a demerger, an option may normally only be exercised to the extent that any relevant performance conditions have been fulfilled, unless the Board determines otherwise.

4.9 Rights attaching to Ordinary Shares

Ordinary Shares issued on the exercise of options will rank equally in all respects with all other Ordinary Shares of the Company for the time being in issue (save as regards any rights attaching to Ordinary Shares by reference to a record date preceding the date of issue).

4.10 Variation of Share Capital

In the event of any variation of share capital including a capitalisation issue, a rights issue, a subdivision or consolidation of shares, or a reduction in capital, or in the event of a demerger, payment of a capital dividend or similar event involving the Company, the Board may make such adjustments as it considers appropriate to adjust the number of shares subject to an option, the option price and (if appropriate) the performance conditions.

4.11 Alteration of the Option Scheme

The Board may alter or add to the Option Scheme, but may not make any alteration or addition that is to the advantage of present or future optionholders to the rules concerning eligibility, overall and individual limits on participation, the option price, variation of share capital or the alterations rule itself without the prior approval of the Shareholders of the Company in general meeting, except for minor amendments for the purposes of administration of the Option Scheme or to take account of any changes in legislation or to obtain or maintain favourable tax, exchange, control or regulatory treatment for present or future optionholders or any group company.

4.12 Grants of options to the Chief Executive and Chairman

It is intended that both conditional on Admission taking place before 5pm on 1 March 2005 and when the Company makes its first acquisition, grants of options will be made to the Chief Executive so that the level of his option holding is maintained at a number of shares equivalent to 10 per cent. of the issued Ordinary Share Capital after those events.

Similarly, options will be granted to the Chairman following Admission so that the level of his option holding is maintained at a number of shares equivalent to 5 per cent. of issued Ordinary Share Capital at that time.

The main terms of the options to be granted to the Chief Executive and the Chairman are that:

- 4.12.1 the option price will be equal to the par value of Ordinary Shares.
- 4.12.2 should the optionholder cease to hold office or employment with the Group then he may retain the options unless the reason for his leaving is gross misconduct.
- 4.12.3 no performance conditions will apply to the options.
- 4.12.4 the terms described above for the Option Scheme regarding takeovers, etc will apply to the options.
- 4.12.5 the options granted at the time of the first acquisition will count towards the overall limits on the issue of ordinary shares.

5. Bonus Scheme

NeutraHealth has established an Executive Bonus Scheme, of which Michael Toxvaerd is currently the only participant, which will become effective following the completion of the first acquisition made by the Company. Michael will be eligible to receive a performance related bonus of up to £50,000 per annum, payable pro-rata for the relevant calendar year, subject to exceeding a budget agreed by the Board for the acquired company. The criteria for judging performance above budget will be set by the remuneration committee, and will be based upon performance above budgeted operating profit.

6. Memorandum and Articles of Association

- 6.1** The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

6.2 The Articles which were adopted on 25 November, *inter alia*, include provisions to the following effect:

6.2.1 Voting Rights

Subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

Transfer of Shares

The Ordinary Shares are in registered form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:

- (a) duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person so to do;
- (b) in respect of only one class of shares; and
- (c) in favour of not more than four transferees.

Dividends

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company.

There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member

or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

Distribution of assets on liquidation

On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

Changes in share capital

Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination or so far as any such resolution does not make specific provision as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

- (a) 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, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.
- (b) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

Variation of rights

Subject to the Act whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

Directors' interests

A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with section 317 of the Act the nature of his interest.

- (a) Provided that he has declared his interest in accordance with the above paragraph, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.

- (b) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (c) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:
 - (i) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving to a third party of any guarantee, security or indemnity in respect of any debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
 - (v) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates; and
 - (vi) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors in respect of any negligence, default, breach of duty or breach of trust in relation to the Company or any subsidiary undertaking.
- (d) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (e) The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.

6.2.2 Remuneration of Directors

- (a) The ordinary remuneration of the Directors (other than an executive director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £400,000 per year) to be divided among them in such proportion and manner as the Directors may determine.

The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

- (b) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (c) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

6.2.3 Retirement of Director

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as Directors of persons who are aged 70 or over) shall not apply.

6.2.4 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they restrict their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Group (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the greater of two times the adjusted share capital and reserves and £50 million.

7. Directors' and other Interests

7.1 The interests of the Directors and the persons connected (within the meaning of section 346 of the Act) with them (all of which are beneficial save where otherwise stated) in the issued share capital of the Company:

- 7.1.1** which have been notified by each Director to the Company pursuant to section 324 or 328 of the Act;
- 7.1.2** which are required to be shown in the register maintained under section 325 of the Act; or
- 7.1.3** are interests of a connected person (within the meaning of section 346 of the Act) of a Director which would, if the connected person were a director, be required to be disclosed under paragraphs 7.1.1 and 7.1.2 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director,

were as at 10 February 2005 (being the last practicable date prior to the publication of this document) and will be, immediately following Admission and Placing, as follows:

Ordinary Shares

	<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of the issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
Martin Gatto	1,000,000	7.94%	1,000,000	3.56%
Michael Toxvaerd	1	0.00%	1	0.00%
Anthony Good	3,000,000	23.83%	3,000,000	10.68%
Raymond Hill	150,000	1.19%	150,000	0.53%
Sir Gulam Noon	3,000,000	23.83%	3,000,000	10.68%

Options to acquire Ordinary Shares

	<i>Type of scheme</i>	<i>Date of grant</i>	<i>Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Exercise Dates</i>	
					<i>From</i>	<i>To</i>
Martin Gatto	Unapproved	4/2/05	629,500	10p	4/2/07	4/2/15
Martin Gatto*	Unapproved	10/2/05	775,000	10p	18/2/07	18/2/15
Michael Toxvaerd	Unapproved	4/2/05	1,259,000	10p	4/2/07	4/2/15
Michael Toxvaerd*	Unapproved	10/2/05	1,550,000	10p	18/2/07	18/2/15

*grant conditional upon Admission

- 7.2** Save as set out in this paragraph 7, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has or will immediately following Admission have any interest in the share capital of the Company.
- 7.3** As at 10 February 2005 (being the last practicable date period to the publication of this document), insofar as it is known to the Directors, the following persons (in addition to those disclosed in this paragraph 7) will immediately following Admission and Placing be interested in 3 per cent. or more of the Company's issued share capital:

	<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of the issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
Nigel Colne	1,250,000	9.93%	1,250,000	4.45%
Gordon Cawthorne	3,100,000	24.62%	3,100,000	11.04%

- 7.4** Save as set out in paragraph 7, the Directors are not aware of any person who will immediately following Admission, be interested (within the meaning of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- 7.5** Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by any member of the Company during the current financial year and which remains in any respect outstanding or unperformed.
- 7.6** There are no loans, warranties or guarantees granted or provided by the Company to or for the benefit of any of the Directors which are now outstanding.
- 7.7** There is no arrangement under which any of the Directors has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

7.8 None of the Directors or persons connected with them within the meaning of section 346 of the Act has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

8. Directors' Service Agreements and Letters of Appointment

8.1 Mr Gatto entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 25 November 2004. His remuneration will be £10,000 per annum for approximately 30 days per annum. This will increase to £25,000 per annum on completion of the first acquisition by the Company. The appointment is terminable by either party on the giving of six months' written notice.

8.2 Mr Toxvaerd entered into a service agreement with the Company on 1 February 2005 which took effect on 16 December 2004. Mr Toxvaerd's basic annual salary is £36,000 per annum which will increase to £75,000 per annum following completion of the first acquisition by the Company. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). The service agreement is terminable by either party on the giving of six months' notice, until completion of the first acquisition by the Company. Following the first acquisition by the Company, the service agreement will be terminable by either party on the giving of twelve months' notice. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

8.3 Mr Good entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration will be £nil per annum for approximately one day per month until completion of the first acquisition by the Company. Following completion of the first acquisition by the Company, his remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.

8.4 Mr Hill entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration will be £nil per annum for approximately one day per month until completion of the first acquisition by the Company. Following completion of the first acquisition by the Company, his remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.

8.5 Sir Gulam Noon entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration will be £nil per annum for approximately one day per month until completion of the first acquisition by the Company. Following completion of the first acquisition by the Company, his remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.

8.6 Save as disclosed in this paragraph 8, there are no service agreements, existing or proposed, between any Director and the Company.

8.7 For the financial period ending 31 December 2005, under the current arrangements in force at the date of this document and on the assumption that no acquisition is made in the period, it is estimated that the aggregate remuneration and benefits in kind granted to the Directors will be approximately £60,000 excluding bonuses.

9. Consultancy Agreement

9.1 Sarah Willingham entered into a consultancy agreement with the Company on 1 February 2005, pursuant to which she will continue to provide services to the Company on an agreed basis. She has assisted in all aspects of the establishment of the Company and in the formulation of the acquisition strategy as well as facilitating the fundraising from the founder shareholders. On Admission, Sarah will be remunerated in the form of £50,000 to be satisfied by the issue of Ordinary Shares, calculated at the Placing Price, subject to Admission taking place. There will be a further cash payment of £150,000 which is wholly contingent upon the completion of the first acquisition by the Company, such acquisition to be approved and or recommended in the sole discretion of the Board. The consultancy agreement will lapse two years following Admission without any additional liability or on the completion of the first acquisition.

10. Additional Information on the Board

10.1 The Directors currently hold the following directorships (other than of the Company) and have or have held the following directorships within the five years prior to the publication of this document and are currently or have been partners in the following firms within the five years prior to publication of this document.

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Martin Gatto	Charterhouse (Bath) Limited Cox & Kings Limited Cox & Kings Travel Limited Luminar plc	Aquila Networks plc Associated Food Holdings Limited Carrefour Limited Carrefour Properties Limited Cee-N-Cee Supermarkets Limited Central Networks West plc Charthill Properties Limited Colemans Limited F J Wallis Limited Fine Fare Limited Fine Fare Properties Limited Food Giant Limited Gardeners Limited Gateway Foodmarkets Limited Gateway Group Limited HLJ Investment Company Limited Hartcliffe Motors (Bristol) Limited Headway Construction Company Limited International Stores Limited International Stores Properties Limited Key Markets Limited Keyway Grocers Limited Kwik Save Group Limited Kwik Save Management Limited Kwik Save Services Limited Kwik Save Stores Limited Lennons Group Limited Mac Markets Limited Melias Limited Merchandise Promotions Limited Modern Foodmarkets Limited Norwales Developments Limited Real Estates (Taunton) Limited Somersetfield plc Somersetfield 24-7 Holdings Limited Somersetfield 24-7 Limited Somersetfield 24-7 London Limited Somersetfield Corporation Limited Somersetfield Direct Limited Somersetfield Foodmarkets Limited Somersetfield Group Limited Somersetfield Holdings Limited Somersetfield Investments Limited Somersetfield Merchant Services Limited Somersetfield Property Company Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Martin Gatto (continued)		Somerfield Quest Limited Somerfield Securities Limited Somerfield Stores Limited Somerfield Twenty Four By Seven Limited Somerfield Twenty-Four Seven Limited Supa Centa Limited Supermarket Direct Limited Taunton Central Investments Limited The Nottingham and Midland Property Company Limited Undercot (Investments) Limited Victor Value Stores Limited Electricity Pensions Limited British Energy Direct Limited British Energy Finance Ltd British Energy Generation (UK) Ltd British Energy Generation Ltd British Energy Investment Ltd British Energy Plc ¹ Sage Organic Limited
Michael Toxvaerd	Ildtorn Holding A/S Eskehuse A/S Eske Ejendomsselskab Aps Aaparken Aps Andelsboligforeningen Aaparken Andelsboligforeningen Kastrupparken I Andelsboligforeningen Kastrupparken II Andelsboligforeningen Kastrupparken III	Toxvaerd Holding af 2001 Aps HF Cable Systems Aps SEM Holding A/S SEM Electronics A/S Electronic House UAB Cable Systems Aps
Anthony Good ²	Cox & Kings Limited Cox & Kings Travel Limited Cox & Kings Holdings Limited Cox and Kings Special Interest Holidays Limited Cox & Kings Tours Limited Cox & Kings Enterprises Limited Cox & Kings (Shipping) Limited C & K Investments Limited Good Consultancy Limited Grand Tours Limited Environmental Journeys Limited Flagship Consulting Limited The Bolshoi Express Limited Flagship Group Limited One Squared Limited Obento Limited The Tranquil Moment Limited	Matrix Communications Consultancy Limited Fox Presentations Limited Words Group Limited First Prospect Plc Signpost Ventures Limited Win/Win Business Solutions Limited Legend Consultancy Limited Miller E. T. Limited Bonneybond Limited Miller Insurance Investments Limited P H (Dawson) Limited Gowrings Plc

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Anthony Good ² (continued)	Relish Events Limited Forty-Five Queen's Gate Gardens Management Limited 45 Queen's Gate Gardens Limited Sage Organic Limited Sage Nutritionals Limited	
Raymond Hill	Health Food Institute Limited Lifestyle Dynamics Trust British Herbal Medicine Association Limited (The)	Health Food Training Limited Sage Organic Limited
Sir Gulam Noon	Bombay Halwa Limited Noon Consultancy Limited Noon Products Limited The Polygon Residents Association Limited Noon (Restaurants) Limited Noon Group Limited London Chamber of Commerce and Industry (The) WT Foods Limited Thornbury Estates Limited The British Food Trust WT Tiger 2 Limited WT (Holdings) Limited WT Tiger 3 Limited Care International UK Garden Estates Limited Olive Tree Educational Trust Obento Limited Birchin Estates Limited The Indian Gymkhana Club Trust 2004	West London TEC Charitable Trust Great Scottish Highland Railways Limited Britalia Investments Limited Noon Investments Limited Britalia Travel Limited Travel Express International Limited Southall Business Partnership Limited Aaronson Noon Limited Softtechnet.com Plc West London Training and Enterprise Council West London Centre Limited Unity Radio Limited Genr8 Solutions Limited Patisserie. Co. Limited Sage Organic Limited

Note 1:

Martin Gatto was appointed as a director of British Energy plc on 8 December 2003 and resigned on 16 September 2004. British Energy plc was subject to a Scheme of Arrangement under Section 425 of the Act, which became effective on 14 January 2005.

Note 2:

In 1976 Anthony Good was a Director of Jensen Motors Limited which was placed into receivership at that time.

10.2 Save as disclosed above, no Director has:

10.2.1 any unspent convictions in relation to indictable offences;

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

10.2.3 been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into any company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within 12 months preceding such event;

10.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months preceding such event;

- 10.2.5 owned any asset over which a receiver has been appointed or been a partner of any partnership at the time of or within 12 months preceding receivership of any assets of the partnership; or
- 10.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 10.2.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

11. Material Contracts

The Company has not entered into any contracts other than in the normal course of business within the two years immediately preceding the date of this document which are or may be material other than those referred to in paragraphs 8, 9 and 12 of this Part IV of this document.

12. Placing, Nominated Adviser and Broker Arrangements

12.1 Placing Agreement

On 10 February 2005, the Company (1), the Non-Executive Directors (2), the Executive Director (3) and KBC Peel Hunt (4) entered into a placing agreement (the “**Placing Agreement**”) pursuant to which KBC Peel Hunt has agreed conditionally, *inter alia*, upon Admission (expected to be 18 February 2005, or such later date as the Company and KBC Peel Hunt may agree, being in any event not later than 5pm on 1 March 2005) to use its reasonable endeavours to procure Places (as defined therein) to subscribe for the Placing Shares at the Placing Price. The Placing Agreement contains certain warranties and indemnities by the Company and the Directors in favour of KBC Peel Hunt.

Under the Placing Agreement, which is subject to the satisfaction of certain conditions, the Company has agreed to pay KBC Peel Hunt a commission of an amount equal to 3 per cent. of the value of the Placing Price of the total number of Placing Shares subscribed for pursuant to the Placing (exclusive of VAT) payable upon Admission.

12.2 Nominated Adviser and Broker Arrangements

On 1 February 2005, the Company (1), the Directors (2) and KBC Peel Hunt (3) entered into an engagement letter pursuant to which KBC Peel Hunt has *inter alia* agreed to act as Nominated Adviser and Broker to the Company, under the AIM Rules, in relation to Admission on the terms set out therein, pursuant to which KBC Peel Hunt will be paid £30,000 as a corporate finance fee. KBC Peel Hunt has further undertaken to provide its services as Nominated Adviser and Broker to the Company on a continuing basis following Admission in return for an aggregate annual fee of £10,000 per annum (plus VAT where applicable). This annual fee will be increased to £30,000 following the completion of the first acquisition of a trading business by the Company. The engagement letter contains certain indemnities by the Company in favour of KBC Peel Hunt. The appointment of KBC Peel Hunt under the engagement letter may be terminated by either party giving not less than 30 days written notice.

13. Property

The Company currently has no premises.

14. Litigation

The Company is not, or has not been, engaged in any legal or arbitration proceedings and, so far as the Directors are aware, there are no such proceedings pending or threatened against or being brought by the Company, which are having or may have or have had during the twelve months preceding the date of this document a significant effect on the Company’s financial position.

15. Working Capital

The Directors are of the opinion, after making due and careful enquiry, that following Admission and taking account of the proceeds of the Placing and the bank facilities available to it, the Company will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of Admission.

16. Taxation

The comments set out below are based on existing law and what is understood to be current Inland Revenue practice. They are intended as a general guide only and apply only to Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes (except to the extent that specific reference is made to Shareholders resident outside the United Kingdom), who hold the shares as investments, who are the absolute beneficial owners of those shares, and who are not employees or connected with employees of the Company. Any person who is in any doubt as to their taxation position or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional advisers immediately.

16.1 Taxation of Dividends

Under current United Kingdom law no taxation will be withheld from dividends paid by the Company.

An individual United Kingdom resident Shareholder is generally entitled to a tax credit in respect of the dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to 1/9th of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the “**gross dividend**”) will be included in the Shareholder’s income for United Kingdom tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, a Shareholder receiving a dividend of £90 will be treated as having received income of £100 which has a tax credit of £10 attached to it.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the Schedule F ordinary rate of 10 per cent., against which he can set the tax credit. Such a Shareholder will have no further liability to account for income tax on the dividend.

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

An individual United Kingdom resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the tax credit will not be entitled to claim repayment of the tax credit attaching to the dividend.

Trustees who are liable to income tax at the rate applicable to trusts (previously 34 per cent. but increased to 40 per cent. with effect from 6 April 2004) will pay tax on the gross dividend at the Schedule F trust rate (previously 25 per cent. but increased to 32.5 per cent. with effect from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit exceeds the trustees’ liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Special taxation provisions apply where trustees of discretionary trusts receive payment of dividends and subsequently make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Whether a non United Kingdom resident Shareholder is entitled to repayment of any part of the tax credit in respect of dividends paid to him, will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. A non United Kingdom resident Shareholder should consult his own professional advisers on the possible application of such provisions, the procedure for claiming repayment and what relief or credit (if any) may be claimed for such tax credit in the jurisdiction in which he is resident.

16.2 Taxation of Chargeable Gains

A subsequent disposal of Ordinary Shares may result in a liability to United Kingdom taxation of chargeable gains, depending upon individual circumstances.

Shareholders should note that since 6 April 2000 all shares listed on AIM will qualify for “**business assets**” taper relief provided that the company in which the shares are held is a trading company or the holding company of a trading group. The effect of this relief is to reduce the proportion of any capital gain chargeable to tax for each complete year that the shares are held. Maximum relief is obtained once shares have been held for two years.

Under current United Kingdom law the effect of taper relief is as follows:-

Number of years shares held	Percentage of Gain Chargeable	Effect rate when higher rate tax payer (40%)
0-1	100	40
1-2	50	20
More than 2	25	10

Special tax provisions may apply to individuals who are employees or connected with employees of the Company. Such individuals who are in any doubt as to their position should contact their own professional advisers immediately.

16.3 Stamp Duty and Stamp Duty Reserve Tax

No liability to stamp duty or stamp duty reserve tax should arise on the allotment of New Ordinary Shares under the Placing.

16.3.1 Shares held outside the CREST system

The conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Stamp duty is charged in multiples of £5. An obligation to account for stamp duty reserve tax (“**SDRT**”) at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped instrument of transfer before the “**accountable date**” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Payment of the stamp duty will cancel the liability to account for SDRT. It is the purchaser who is in general liable to account for stamp duty or SDRT.

16.3.2 Shares held within the CREST system

The transfer of the Ordinary Shares in uncertificated form in the CREST system will generally attract a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. The SDRT is payable on the fourteenth day following the date of the unconditional agreement for the transfer of the Ordinary Shares.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

16.4 EIS Tax Relief

The following information provides an outline only of the EIS tax reliefs. It is not an exhaustive summary of EIS and it is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

16.4.1 EIS Relief

EIS relief may be available where a qualifying company issues new shares. The purpose of issuing these shares (and any others issued at the same time) must be to raise money for a qualifying business activity. The EIS shares must be subscribed wholly in cash and be fully paid up at the date of issue. The shares must be held for at least three years after issue or if later three years after the company begins to trade.

The EIS relief has four elements:

(a) *Income tax relief*

The individual's income tax liability for the year of the share issue is reduced by 20 per cent. of the amount subscribed. In effect, up to 20 per cent. of the cost of the investment is paid for by the Inland Revenue.

The minimum investment which is eligible for relief is £500 per company. The maximum subscription on which an individual can claim income tax relief in any one tax year is £200,000. Husbands and wives are taxed independently of each other and the £200,000 limit is available to each of them. This limit has been increased from £150,000 to £200,000 for shares issued after 6 April 2004.

If the Company does not employ at least 80 per cent. of the proceeds of the EIS share issue and other shares of the same class issued on the same day (the "**Share Issue**") for a qualifying business activity within 12 months of the commencement of the Company's trade, and the remainder within 24 months of this date (the "**Relevant Time Limits**"), all of the income tax relief of the EIS investors would be clawed back.

(b) *CGT exemption*

If the EIS investor does not dispose of his or her shares for at least three years after the shares were issued or, if later, three years after the company begins to carry on a qualifying trade and the EIS income tax relief has not been withdrawn in the meantime any capital gains realised on the disposal of the shares will be tax free.

If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gain on the disposal of EIS shares would not benefit from the capital gains exemption.

(c) *Loss relief*

Tax relief is available where there is a loss on a disposal at any time of shares on which EIS income tax relief (see (a) above) or CGT deferral (see (d) below) has been given. The amount of the loss (after taking account of any income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which disposal occurs.

(d) *CGT Deferral relief*

To the extent to which a UK resident investor (including individuals and certain trustees) subscribes in cash for qualifying shares, he can claim to defer tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is a limit of £200,000 for income tax relief and the exemption from CGT (see (a) and (b) above), there is no limit on the amount of gain that can be deferred.

The subscription must be made within one year before or three years after the date of the disposal which gives rise to the gain, or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of the shares or an earlier breach of the EIS rules.

If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gains deferred would come back into charge.

16.4.2 “Qualifying Investor” for EIS Income Tax Relief

EIS income tax relief applies only to individuals and not, for example, companies or trusts.

The individual need not be resident and ordinarily resident in the UK for tax purposes when the shares are issued but he will, of course, need to be liable to UK income tax.

There are certain restrictions affecting the EIS investor which apply throughout the investor’s “five-year period”. The investor’s five-year period is from two years before until three years after the EIS shares are issued, or if later three years after the company begins to carry on a qualifying trade.

The main restriction is that the EIS investor must not be “connected” with the company during the “five-year period” referred to above. The EIS legislation specifies a number of ways in which the investor can become connected with the company, for example:-

- (a) If his and his “associates” interest in the company exceeds 30 per cent. (and this includes share capital, loan capital, voting rights or assets on a winding up).
- (b) If he or any of his “associates” is an employee or partner of the company.
- (c) If he or any of his “associates” is a director of a company (although under the EIS, an investor who has not previously been connected with the company or employed in the business can take an active role in its management through becoming a paid director, and receives only reasonable remuneration).

There are various anti-avoidance measures designed to prevent abuse of the EIS. The rules are very complex and are therefore not set out here. In particular, there are measures to deny relief if the investor or his “associates” receive certain payments or value from the company or any person connected with it during the investor’s three year qualifying period. Other anti-avoidance measures relate to arrangements for a change of control of the company. This is not an exhaustive list of all the anti-avoidance rules, and it is essential that advice is taken at the outset and also before any transactions or arrangements are entered into in the relevant period.

16.4.3 Qualifying Company

The company must:

- (a) exist for the purposes of carrying on one or more qualifying trades; or
- (b) be the holding company of a trading group.

Any activities, apart from the qualifying trading activities, must not be significant.

Certain activities are excluded and the trade of the company must not include these activities (to any substantial extent) during the company's three-year qualifying period. What constitutes "substantial" is not defined but the Inland Revenue interprets this as 20 per cent.

There are complex rules governing the identity of the company carrying on the qualifying activity. There are also conditions which must be met in relation to subsidiaries of EIS companies.

The gross assets of the EIS company must not exceed £15 million before the relevant share issue and £16 million afterwards. At least 80 per cent. of the money raised by the EIS company must be used for the purpose of a "qualifying business activity" carried on wholly or mainly in the UK within 12 months of the shares being issued or, where this activity constitutes preparing to carry on a qualifying trade, 12 months after the date trading starts. The remainder of the money raised must be employed within 2 years after the date the shares were issued or the commencement of the trade, if later.

16.4.4 Eligible Shares

EIS relief is available where "eligible shares" are issued in order to raise money for a "qualifying business activity". Eligible shares are new ordinary shares with no present or future preferential right to income or to assets in a winding up, and with no present or future right to be redeemed. If eligible shares become ineligible during the investor's holding period (see 16.4.1 above), all EIS reliefs will be lost.

All of the company's shares qualifying for EIS relief must be fully paid up in cash throughout the company's "relevant period". The company's relevant period starts on the date the EIS shares are issued. It ends either three years after that date or, if later, three years after the company starts to trade. New provisions in the Finance Act 2004 provide that individuals who subscribe wholly in cash for qualifying shares will not be prevented from obtaining EIS relief because the company also issues bonus shares of the same class to them on the same day, or because any other subscribers for the company's shares which are of the same share class and which are issued on the same day do not subscribe for them wholly in cash.

A company can become listed within its three year relevant period without loss of EIS reliefs. The company only need be unquoted (which includes trading on AIM) at the time the EIS shares are issued *provided that no arrangements exist at that time for the company to cease to be an unquoted company.*

16.4.5 Claims

The company completes and submits form EIS1 to the Inland Revenue to the specialist section which deals with EIS. Once the Inland Revenue is satisfied that the claim can be accepted it issues a form EIS2 to the company. The EIS2 authorises the company to issue an EIS3 certificate to the EIS investors confirming that they are entitled to the relief. The investor completes a claim on the back of the form EIS3 and sends this to his own Inspector of Taxes who will then give effect to the income tax relief either by adjusting the investor's PAYE code, making a tax repayment or agreeing to offset the relief against outstanding tax liabilities, as appropriate.

The form EIS1 may be submitted by a Company to the Inland Revenue once it has completed four months trading. The form must, however, be submitted no later than two years after the end of the tax year in which the shares were issued or, if the company's four months trading ended after the end of that tax year, no later than two years after the end of that period. The claim for tax reliefs must be made by an investor no later than five years after 31 January following the end of the tax year in which the shares are issued.

17. General

- 17.1** There has been no significant change in the trading or financial position of the Company since 1 February 2005.
- 17.2** KBC Peel Hunt has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- 17.3** The auditors and reporting accountants of the Company are RSM Robson Rhodes LLP.
- 17.4** RSM Robson Rhodes LLP has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which it appears and to the inclusion of its report in this document and it accepts responsibility for its report for the purposes of the POS Regulations.
- 17.5** Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 17.6** Save as disclosed in this document, no person (excluding professional advisers and trade suppliers) has (i) received directly or indirectly from the Company within the 12 months preceding the date of this document or (ii) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- 17.6.1** fees totalling £10,000 or more; or
 - 17.6.2** securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - 17.6.3** any other benefit to a value of £10,000 or more on the date of Admission.
- 17.7** The Company's Nominated Adviser and Broker is KBC Peel Hunt, whose principal place of business is 111 Old Broad Street, London EC2N 1PH.
- 17.8** The accounting reference date of the Company is 31 December.
- 17.9** The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21(a) of Part IV of Schedule 1 of the POS Regulations is £nil million, made up as follows:
- 17.9.1** 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;
 - 17.9.2** any preliminary expenses payable by the Company and any commission payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscription for, any Ordinary Shares – £nil;
 - 17.9.3** the repayment of any money borrowed by the Company in respect of any of the matters referred to in 17.9.1 and 17.9.2 above – £nil; and
 - 17.9.4** working capital – £nil.
- 17.10** The amount to be provided in respect of each of the matters mentioned in paragraph 17.9 above otherwise than out of the proceeds of the Placing is £360,000 (excluding VAT).
- 17.11** Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 17.12** Save as disclosed in this document, there have been no significant recent trends concerning the development of the Company's business since 18 November 2004, being the date of its incorporation.
- 17.13** The financial information relating to the Company set out in Part III of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.

- 17.14** The gross proceeds of the Placing are expected to be £1.5 million. The total costs and expenses in relation to Admission and the Placing (including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are payable by the Company and (assuming subscription in full) are estimated to amount to approximately £0.16 million, excluding value added tax.
- 17.15** It is expected that definitive share certificates will be despatched by first class post on 1 March 2005. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 18 February 2005. No temporary documents of title will be issued.
- 17.16** There have been no interruptions and there have been no significant changes to the business of the Company which have or have had a significant effect on the financial position of the Company since incorporation and there are no significant investments in progress by the Company.
- 17.17** Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 17.18** The Directors are not aware of any arrangements under which future dividends are waived or agreed to be waived.
- 17.19** Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by KBC Peel Hunt until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 1 March 2005 (or such later date as KBC Peel Hunt and the Company may agree), application monies will be returned to applicants as soon as practicable at their own risk and without interest prior to delivery of the Ordinary Shares. The period within which the Placing applications may be accepted pursuant to the Placing are set out in the Placing Agreement and in the placing letters sent to placees.
- 17.20** KBC Peel Hunt, in its capacity as market maker, has undertaken to subscribe for 850,000 Ordinary Shares in the Placing at the Placing Price.

18. Availability of this document

Copies of this document will be available free of charge at the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2M 1PH during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for a period of one month from the date of Admission.

Dated 11 February 2005

