

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

Application has been made for the whole of the issued ordinary share capital of Red Leopard Holdings plc to be admitted to trading on the AIM market of the London Stock Exchange ("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, after consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

It is expected that dealings in the Ordinary Shares will commence and Admission will occur on 31 March 2005.

This document, which has been drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the Existing Ordinary Shares on AIM. This document does not constitute a prospectus and a copy has not been delivered to the Registrar of Companies in England and Wales for registration under Regulation 4(2) of the Public Offers of Securities Regulations 1995. This document does not constitute an offer or invitation to purchase any shares.

To the best of the knowledge of the Directors the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information. The Directors, whose names and business addresses are set out on page 3, accept responsibility, both individually and collectively, for the contents of this document and compliance with the AIM Rules.

The whole of the text of this document should be read and your attention is drawn to the Risk Factors set out in Part II of this document.



RED LEOPARD HOLDINGS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05289187)

Acquisition of Harrell Hotels (Europe) Ltd

Admission to trading on AIM

Nominated Adviser

City Financial Associates Limited

Broker

Seymour Pierce Ellis Limited

SHARE CAPITAL

<i>Authorised share capital</i>	<i>Issued share capital as at the date of this document</i>		<i>Issued share capital immediately following Admission</i>		
	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	
<i>Number</i>	<i>(£)</i>	<i>of 0.2p each</i>	<i>(£)</i>	<i>of 0.2p each</i>	<i>(£)</i>
1,404,074,074	2,808,148.14	177,750,000	355,500	189,830,000	379,660

Copies of this document will be available to the public free of charge at the offices of City Financial Associates Limited during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this document until the expiry of one month after Admission.

City Financial Associates Limited, which is authorised and regulated by the Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. City Financial Associates Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates Limited or for advising any other person on the arrangements described herein.

Seymour Pierce Ellis Limited, which is authorised and regulated by the Financial Services Authority, is the Company's Broker for the purposes of the AIM Rules and is acting exclusively for the Company in connection with the Admission, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Seymour Pierce Ellis Limited or for advising any other person in connection with the Admission.

The Ordinary Shares are not dealt in on any other investment exchange and no other such application has been made.

CONTENTS

	Page
Directors, Secretary and Advisers	3
Expected Timetable of Principal Events	3
Definitions	4
Statistics	5
PART I INFORMATION ON THE COMPANY	6
PART II RISK AND OTHER FACTORS	11
PART III ACCOUNTANTS' REPORT ON RED LEOPARD HOLDINGS PLC	12
PART IV ACCOUNTANTS' REPORT ON HARRELL HOTELS (EUROPE) LTD	14
PART V ADDITIONAL INFORMATION	22

DIRECTORS, SECRETARY AND ADVISERS

Directors	Robert Michael Coe FCA (Executive Chairman) Stephen George Thomson (Director) each of 233-237 Old Marylebone Road, London, NW1 5QT
Company Secretary and Registered Office	Robert Michael Coe FCA 233-237 Old Marylebone Road, London, NW1 5QT
Nominated adviser	City Financial Associates Limited, Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL
Broker	Seymour Pierce Ellis Limited, Talisman House, Jubilee Walk, Three Bridges, Crawley, West Sussex RH10 1LQ
Reporting Accountants	Mazars LLP, 24 Bevis Marks, London EC3A 7NA
Solicitors to the Company	Howard Kennedy, 19 Cavendish Square, London W1A 2AW
Registrars	Park Circus Registrars Limited, 2nd Floor, 144 West George Street, Glasgow G2 2HG

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission document publication date	23 March 2005
Admission to trading on AIM	31 March 2005
CREST accounts credited by	31 March 2005

DEFINITIONS

The following words and expressions shall have the following meanings in this document, unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of HHE as described in this document;
“Act”	the Companies Act 1985 (as amended);
“Admission”	the admission of the Existing Ordinary Share Capital to trading on AIM;
“AIM”	the AIM market of the London Stock Exchange plc;
“Board” or “Directors”	the directors of the Company, whose names appear on page 3 of this document;
“CFA”	City Financial Associates Limited, Nominated Adviser to the Company;
“Company” or “Red Leopard”	Red Leopard Holdings Plc (registered in England and Wales under number 05289187);
“Condition”	the condition referred to at paragraph 11.1.5 of Part V of this document to be fulfilled by HHG for the issue of the Conditional Shares
“Conditional Shares”	those Consideration Shares to be allotted to HHG upon fulfilment of the Condition;
“Consideration Shares”	together, the Initial Shares and the Conditional Shares;
“CREST”	the computerised settlement system used to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited;
“Existing Ordinary Shares”	the 189,830,000 Ordinary Shares in issue at the date of Admission;
“Fundraisers”	those persons who, on behalf of the Company, raised money for the Company pursuant to the Offer for Subscription;
“Group”	the Company and HHE upon Admission;
“HHE”	Harrell Hotels (Europe) Ltd;
“HHG” or the “Vendor”	Harrell Hospitality Group, Inc.
“Initial Shares”	those Consideration Shares in the Company to be allotted to HHG within 5 business days of the Share Price Date;
“Offer for Subscription”	the offer for subscription for Ordinary Shares pursuant to a Prospectus published by the Company and dated 17 January 2005;
“Ordinary Shares”	ordinary shares of 0.2p each in the capital of the Company;
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended);
“Registrar”	Park Circus Registrars Limited;
“Sale Shares”	the entire issued share capital of HHE;
“Share Price Date”	the 42nd day after Admission;
“Subscription Price”	1p per Subscription Share;
“Subscription Shares”	the Ordinary Shares which were issued pursuant to the Offer for Subscription; and
“Shareholders”	holders of issued Ordinary Shares

STATISTICS

Number of existing Ordinary Shares upon Admission	189,830,000
*Number of Initial Shares and Conditional Shares	<u>56,250,000</u>
Maximum enlarged share capital	<u>246,080,000</u>
**Maximum enlarged diluted share capital	292,835,200

* *Assumes maximum number of Consideration Shares issued pursuant to the Acquisition. Initial and Conditional Shares, together, not be exceed 56,250,000 in number.*

** *Assumes exercise of all Options described in this document, and no further issues of Ordinary Shares other than as described in this document.*

PART I

INFORMATION ON THE COMPANY

INTRODUCTION

Red Leopard was formed as an investing company in November 2004 and undertook the Offer for Subscription, which closed on 21 March 2005 and raised £1.45 million (gross of costs). The Board's then stated intention was to identify and enter into a suitable acquisition as defined in the Offer for Subscription document and then to seek admission to trading on AIM for the enlarged Red Leopard entity. The Offer for Subscription stated that if this was not achieved by 1 April 2005, Shareholders would be consulted in relation to the returning of available funds.

The Board has identified, and entered into a conditional agreement to acquire Harrell Hotels (Europe) Ltd. A description of HHE and the agreement to acquire it is set out below.

However, the Directors have experience of investing in and acquiring companies and believe that there are further opportunities to acquire undervalued companies. In particular the Directors will be looking to invest in or acquire companies within the United Kingdom and overseas that have one or more of the following characteristics:

- The company is being sold as a retirement sale;
- The company has strong management;
- The company is cash generative;
- The company operates in "traditional industries" rather than in hi-tech;
- The company is asset rich, but cash poor;
- The company is in a sector that has the potential for consolidation;
- The company is a leading brand in a sector; or
- The company is able to obtain cost savings (and consequently margin growth) through moving its production facilities to overseas markets.

In addition to the £1.45m raised through the Offer for Subscription, a further £80,000 was raised from the initial subscribers on incorporation. These funds will be used to undertake due diligence and negotiations with suitable targets and to have monies to invest in or acquire businesses.

BACKGROUND ON HHE AND THE DEVELOPMENT OPPORTUNITY

HHE is currently a wholly owned subsidiary of Harrell Hospitality Group Inc, ("HHG") which is a hotel investment and management company with experience in the hotel industry. HHG was originally incorporated in 1959, employs over 230 staff, and has offices in London (through HHE) and Dallas. HHG is an independent management company currently operating in the USA under a franchise from an affiliate of Marriott Hotels International BV ("Marriott") and is also approved by Hilton, Sheraton, Holiday Inn and others.

HHE was established in February 2002 by HHG to take advantage of the then perceived growth dynamics and opportunities then available in the United Kingdom and European hospitality markets. It currently has no employees and relies on HHG for management staff.

The first transaction expected for HHE, for which draft heads of terms have been drawn up (although not yet signed) with the developer of the site, is a development opportunity at the North Brentford Quarter ("NBQ") in Chiswick, London (the former GlaxoSmithKline Headquarters site), which HHE has been progressing since last year. The proposal is for the 4.85 hectare (12 acre) brownfield site to be redeveloped by a leading UK developer as a vibrant, sustainable mixed-use scheme. The Directors believe that the hospitality industry is currently enjoying strong growth. Consequently, the Acquisition presents an exciting opportunity for the Company.

As part of that development it is proposed that HHE, through a joint venture with HHG and also HHE's relationship with Marriott (both discussed below), builds and manages under the "Courtyard by Marriott"

brand a 150 room hotel together with a further 80 one bedroom apartments. It is envisaged that the acquisition and development cost of the hotel and apartments at NBQ will be in excess of £20 million. A leading UK bank has indicated that it might be prepared to provide part of the equity as well as part of the debt to fund this development. Planning consent will be sought in due course. The Company may, if the Directors deem it an appropriate investment, be able to source funding itself either from its existing resources or through raising further funds from Shareholders.

In preparing its working capital projections the Directors have not taken account of the ongoing potential costs associated with the NBQ Project. Before committing to any financial obligations in relation to the NBQ Project the Directors shall ensure that the Company has sufficient working capital to cover such commitments (either from its existing financial resources or through third party funding).

RELATIONSHIP WITH MARRIOTT

HHE is one of several hotel operators which Marriott has placed on its list of pre-approved franchisees for hotels in the United Kingdom. HHE currently does not operate any hotels in the United Kingdom or elsewhere pursuant to a franchise agreement with Marriott. HHE and Marriott have entered into a non-binding letter of intent ("LOI") pursuant to which HHE may present to Marriott, for its consideration, one or more real estate sites on which HHE proposes to build a hotel. If Marriott accepts the site as being feasible for a hotel, then HHE and Marriott will enter into negotiations with a view towards executing a franchise agreement pursuant to which such hotel will be operated by HHE as a "Courtyard by Marriott" brand hotel under the terms stated in the LOI. Neither HHE nor Marriott is under any obligation to work exclusively with the other on potential franchise hotel projects in the United Kingdom or elsewhere. HHE is under no obligation to present sites to Marriott or to enter into a franchise agreement with Marriott, and Marriott is under no obligation to accept such sites or enter into a franchise agreement with HHE. The LOI expires on 31 December 2006, but may be renewed upon mutual agreement of Marriott and HHE.

There are currently 11 "Courtyard by Marriott" brand hotels in the United Kingdom, all of which are operated through franchises. Further details on Marriott and its affiliates and the "Courtyard by Marriott" brand may be found at www.marriottdevelopment.com and www.marriott.com.

The Directors believe that "Courtyard by Marriott" could become a market leader in the United Kingdom in the upper moderate lodging tier for individual business travellers. The Directors further believe that the opportunity for the development of a 150 bedroom "Courtyard by Marriott" hotel in addition to 80 one bed extended stay apartments at the site at NBQ represents an exciting opportunity for the Company.

AGREEMENT WITH HHG

The Company recognizes HHG's experience in the hospitality industry and accordingly it is intended that the employees and expertise required to undertake the development and management of any particular hotels will be supplied by a joint venture company owned as to 50 per cent. by HHE and 50 per cent. by HHG. HHG's specific responsibility as part of such a joint venture will be to supply such employees and experts. The principal terms of any proposed joint venture relationships to be entered into between HHE and HHG are set out in Part V of this document.

CURRENT TRADING OF HHE

In the period from incorporation in February 2002 to 30 September 2004, HHE made an operating loss of £437,869 and a loss on ordinary activities after taxation of £598,891. HHE has yet to have any turnover, and will not have any unless and until such time as the current development opportunity at NBQ comes to fruition. In the period from 30 September 2004 to 31 December 2004, further expenditure of £43,762 has been made. As at 30 September 2004, HHE had net assets of £213,596. Further details on HHE are set out in Part IV of this document.

TERMS OF THE ACQUISITION OF HHE

The Company has agreed, subject to Admission, to acquire from the Vendor the entire issued ordinary share capital of HHE for a consideration of up to £2,711,840 to be satisfied as follows:

- £461,840 in cash (payable prior to Admission);
- £2,250,000 (conditional upon Admission) through the issue of up to 56,250,000 Ordinary Shares and loan notes in the Company.

Of the £2,250,000, the first £1,000,000 will be payable in such number of Initial Shares, to be allotted at the average mid market closing price from the period from Admission to the Share Price Date (with a minimum issue price of 1 pence per Ordinary Share), as equal £1,000,000, such number to be no greater than 56,250,000 Ordinary Shares. To the extent that the value of the Initial Shares is less than £1,000,000 the balance will be paid by way of unsecured 3% loan notes in the Company.

The remaining £1,250,000 will be payable in such number of Conditional Shares, to be allotted at the average mid market closing price from the period from Admission to the Share Price Date (with a minimum issue price of 1 pence per Ordinary Share), as equal £1,250,000, such number of Conditional Shares, together with the Initial shares being no greater than 56,250,000 Ordinary Shares. To the extent that the value of the Conditional Shares is less than £1,250,000 the balance will be paid by way of 3% loan notes by the Company. The Conditional Shares will be issued providing HHG brings to the Company within 3 years of Admission three hospitality business opportunities and one non-hospitality business opportunity which the Directors deem feasible.

As part of the Acquisition HHG will repay all existing indebtedness of HHG, being £211,840. The net cash outflow from the Group to HHG is £250,000, less the liability retention referred to in paragraph 11.1.5 of Part V of this document. The above arrangements are further described in Part V of this document.

DETAILS OF EFFECT OF ACQUISITION ON RED LEOPARD

Immediately after the Admission and the Acquisition the Group will have funds available of approximately £1,075,000. It is intended that the Company will fund HHE's working capital requirements by means of an inter-company loan. It is anticipated that this requirement, taken together with the working capital requirement of the Company, will not exceed approximately £789,000 during the period from 1 April 2005 to 30 September 2006.

FURTHER DETAIL ON RED LEOPARD

DIRECTORS

The Board comprises two directors, as follows:

Robert Coe (Aged 59) Executive Chairman

Robert Coe is the Senior and Founding Partner of Wilder Coe, Chartered Accountants, which was established in 1972. Mr. Coe is also currently the finance director of Quintessentially English plc, an AIM listed cash shell. Mr. Coe was formerly non-executive chairman of Stirling Group plc, a clothing, design and manufacturing company which was Fully Listed, senior independent non executive director of Hercules Property Services Plc, a Fully Listed property facilities management company, part time finance director of Probus Estates plc (formerly Premier Land Limited) which at the time, was a Fully Listed property investment company (1995 to 1998) and part-time finance director of New Media Industries plc during its transition from Ofex to AIM and part time finance director of Hardy Amies plc (formerly Luxury Brands Group plc and Cardington plc) which is an AIM-listed brand licensing and marketing company.

Stephen Thomson (Aged 47) Director

Stephen Thomson is experienced in working with businesses and in particular on IPOs, creating listed shells and reverse opportunities, instigating and supporting company growth; troubleshooting and turnarounds, start-ups, maximizing value from a company sale and acquisition search. Mr. Thomson is currently Chairman of Fundamental-e Investments plc, an AIM-listed technology company, Deputy Chairman of Oak Holdings plc, an AIM-listed property development company and non executive Director of Tellings Golden Miller Group plc, an AIM-listed bus operating company. Prior to this, Mr. Thomson had been the senior executive officer of a number of listed companies, notably: Turnpyke Group plc, (now Medical Solutions plc) CEO of Calderburn Group plc and CEO of Oceonics Group plc.

Details of the terms of the Directors' appointments are summarised in paragraph 5 of Part V of this document.

The Board has employed the services of First Merchant Capital Limited ("FMC") to source acquisition opportunities for the Company. Further terms relating to its appointment are set out in Paragraph 11.1.4 of Part V of this document. Geoffrey Dart, who is Chairman of FMC, introduced the Acquisition to the

Company. Geoffrey Dart was previously Chairman of HHG and a director of HHE and may be considered a related party of HHG.

OPTIONS

The Company has agreed to grant options (“Options”) to the following persons to subscribe for Ordinary Shares equal in aggregate to 19% of the Issued Share Capital of the Company (which in this case include these options that are to be issued) as at the earlier of the date of exercise or the date eighteen months after Admission:

- Robert Coe: Options of 2%;
- Stephen Thomson: Options of 2%;
- City Financial Associates Limited: Options of 1%.; and
- Baskerville Holdings Limited (a company incorporated in the British Virgin Islands): Options of 14%. Baskerville Holdings Limited provided £30,000 of the £80,000 initial share capital of the Company on incorporation.

The Options may be exercisable at any time within a ten year period from the date of grant. The exercise price of the Options is 0.2 pence per option share.

Until the Options have been exercised in full, the consent of the optionholders is required if the Company proposes to issue a class of share with preferential rights to the Ordinary Shares.

DIVIDEND POLICY

The Company has not yet commenced trading. The Directors therefore consider it inappropriate to make a forecast of the likely level or timescale for the payment of any future dividends or of the Company’s prospects for the current financial year.

TAXATION

Information regarding taxation is set out in paragraph 8 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

LOCK-INS AND COMMISSIONS

On Admission the Directors will be interested in an aggregate of 15,000,000 Ordinary Shares, representing approximately 7.9 per cent. of the Issued Ordinary Share Capital. The Directors have undertaken not to dispose of any interest in Ordinary Shares (except in certain limited circumstances as set out in rule 7 of the AIM rules) for a period of 12 months following Admission. Further, the following persons have agreed not to dispose of any Ordinary Shares within 12 months from Admission save as in accordance with the rules of AIM or with CFA’s consent.

- The subscribers to the memorandum of association of the Company (other than Baskerville Holdings Limited in relation to 15,000,000 Ordinary Shares) who in aggregate own 10,000,000 Ordinary Shares;
- the Fundraisers referred to at paragraph 11.1.6 of Part V;
- HHG in relation to the Consideration Shares.

The Fundraisers who are to receive Ordinary Shares will, in addition to these Ordinary Shares, receive £55,200 as further described in paragraph 11.1.6 of Part V of this document.

At the time of the Offer for Subscription it was envisaged that Shareholders who had applied for Ordinary Shares would not be able to sell (or gift other than in certain circumstances) their Ordinary Shares (save as set out in the Offer for Subscription document) for a period of 9 months from Admission and would be subject to an orderly market undertaking for a further 9 months. On 23 March 2005 the Directors waived these conditions.

In the Offer for Subscription document dated 17 January 2005, the Company made reference to the fact that Shareholders might gift some of their Ordinary Shares to Prism, a charity offering a personalised and professional relationship to assist donors in their administration of giving. Since the Offer for Subscription was published, the London Stock Exchange has issued guidance for new applicants seeking admission to AIM stating that the London Stock Exchange does not believe that companies seeking admission to AIM primarily to secure Gift Aid tax relief (or any other forms of relief) for investors

are appropriate for admission to AIM. This document has been restructured in accordance with this guideline and accordingly no reference to Gift Aid has been made in this document.

ADMISSION TO TRADING ON AIM

The Company has applied for the Ordinary Shares in issue at Admission to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 31 March 2005.

CREST

The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. Application has been made for the Ordinary Shares to be admitted to CREST upon Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

FURTHER INFORMATION

Your attention is drawn to Parts II to V of this document which contain further information.

PART II

RISK AND OTHER FACTORS

As a potential trading business, the Directors consider the following risks and other factors to be the most significant for potential investors, but the risks listed below do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Potential investors should carefully consider these risks before making a decision to invest in the Company.

- The success of the Group in the short term will be significantly influenced by the progress of the project at NBQ. At this time, no planning consent is in place. While the Directors see no reason why full planning consent will not be forthcoming, there can be no guarantee of this. In addition HHE needs to formalise its proposed arrangements with the developer of NBQ, Marriott and its potential funders;
- The costs and completed value of the project at NBQ are subject to variation as full details and costings for the project have not yet been finalised;
- Potential Shareholders should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an Investor to realise their investment in the Company and they may lose all their investment. A prospective investor should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them;
- The Company has no operating history and no established trading record and does not presently carry on any trading activities;
- The Company may need to raise further funds in the future, either to fulfil the possible opportunities offered under the Acquisition or to raise further working or development capital for investments. There is no guarantee that the then prevailing market conditions will allow for such a fundraising. Shareholders may also be materially diluted by any further issue of ordinary shares by the Company that may be issued on a non pre-emptive basis to new shareholders to their original investment;
- The Company's Ordinary Shares are intended for long term growth and therefore may not be suitable as a short-term investment. Investors may therefore not be able to realise their investment in the short term or at all;
- Investors should note that no Director is in any way limited (other than by their normal duties as company directors) by way of their involvement with the Company from acting in the management or conduct of the affairs of any other company. Should any conflicts of interest be identified, they will be declared and dealt with appropriately;
- There are risks associated with any development project, and it may not ultimately yield a profit;
- The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters;
- The Company's acquisition of HHE is speculative in that HHE has not hitherto traded other than as described in Part IV of this document;
- The NBQ project may not proceed as envisaged or at all; HHE has held extensive negotiations but has not entered into any binding agreements in respect thereto; and
- Notwithstanding appropriate due diligence being carried out by the Company on a potential acquisition or investment opportunity, there is an inherent risk in acquiring or investing in companies or businesses, which could result in diminution of assets or shareholder value of the Company.

The investment opportunity offered in this Document may not be suitable for all recipients of this Document. Investors are therefore strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000, who specialises in investments of this nature before making their decision to invest.

PART III
ACCOUNTANTS' REPORT



MAZARS LLP
24 Bevis Marks, London, EC3A 7NR

Date: 23 March 2005

The Directors
Red Leopard Holdings plc
233–237 Old Marylebone Road
London
NW1 5QT

And

The Directors
City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

Dear Sirs

RED LEOPARD HOLDINGS PLC (“THE COMPANY”)

We report on the financial information set out below under the Public Offers of Securities Regulations 1995. This information has been prepared for inclusion in the Admission Document dated 23 March 2005.

On 17 November 2004, the Company was incorporated as a public limited company. Other than the ultimate intended acquisition of the entire share capital of Harrell Hotels (Europe) Ltd referred to below, the Company has not traded and has not declared or paid a dividend since the date of incorporation. No statutory financial statements have been prepared, audited or filed with the Registrar of companies since incorporation.

On incorporation 80,000 ordinary shares of £1 each were issued.

On 22 November 2004 the authorised and issued share capital was sub-divided, converting each £1 ordinary share into 500 shares of 0.2p each.

On 22 November 2004, subsequent to the above event, the authorised share capital was increased from 40,000,000 ordinary shares of 0.2p each to 1,404,074,074 ordinary shares of 0.2p each.

On 24 November and 17 January 2005 the Company issued prospectuses in connection with the offer for subscription of up to 950,000,000 Ordinary Shares of 0.2p each at a price of 1p per ordinary share.

On 21 March 2005, as a result of the Offer for Subscription referred to above, the Company issued 137,750,000 Ordinary Shares at a price of 1p per Ordinary Share, raising £1,377,500 before expenses. A further 7,250,000 Ordinary Shares at a price of 1p per Ordinary Share will be issued immediately prior to the Company's Admission to AIM, raising a further £72,500 before expenses. The Company is also committed, immediately prior to the Company's Admission to AIM, to issue a further 4,830,000 Ordinary Shares at 1p per Ordinary Share to the Fundraisers as part of the Offer for Subscription. The expenses incurred to date, prior to admission expenses, are £107,739 (including VAT). The Company has also received £1,799 by way of interest for the period since incorporation to 16 March 2005.

On 24 March 2005, the Company agreed, conditionally on and with effect from immediately prior to the Company' Admission to AIM, to acquire the entire issued share capital of Harrell Hotels (Europe) Ltd, for consideration of £2,711,840, satisfied by cash on completion of £461,840 and the issue of up to 56,250,000 Ordinary Shares of 0.2p each. In the event that the issue of the above Ordinary Shares is insufficient to meet the entire purchase consideration any shortfall will be met by the issue of unsecured and unquoted Loan Notes of £1 each with the following principal terms:

Repayment date: 31 March 2015

Interest rate: 3%

Interest payments: Annually in arrears commencing on 31 March 2007

The Loan Notes are convertible at the option of the Company at any time into Ordinary Shares at the prevailing share price on the day of conversion.

Such financial information is the responsibility of the directors of the Company who approved its issue. The directors of the Company are responsible for the contents of the Admission Document in which this report is included. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

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

In our opinion this information, which does not comprise full accounts, gives, for the purposes of the Admission Document dated 23 March 2005, a true and fair view of the state of affairs of the Company as at the 23 March 2005.

We consent to the inclusion in the Admission Document dated 23 March 2005 of this report and accept responsibility for this report for the purposes of Regulation 13(1)(d) and paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

Mazars LLP

PART IV
ACCOUNTANTS' REPORT



MAZARS LLP
24 Bevis Marks, London, EC3A 7NR

Date: 23 March 2005

The Directors
Red Leopard Holdings plc
233–237 Old Marylebone Road
London
NW1 5QT

And

The Directors
City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

Dear Sirs

HARRELL HOTELS (EUROPE) LTD (“THE COMPANY”)

1. INTRODUCTION

We report on the financial information set out below under the Public Offers of Securities Regulations 1995. The information has been prepared for inclusion in the Admission Document dated 23 March 2005 of Red Leopard Holdings plc (“the Admission Document”).

Basis of preparation

The financial information set out in paragraphs 2 to 6 is based on the audited financial statements of the Company for the period from 22 February 2002 to the 30 September 2004 and has been prepared on the basis set out in paragraph 2 below, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company, who approved their issue.

The directors of the Red Leopard Holdings plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, 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. The evidence included that recorded by the auditors Sawin & Edwards, 15 Southampton Place, London, WC1A 2AJ, who audited the financial statements underlying the financial information for the period 22 February 2002 to 30 September 2003. It also included an assessment of significant estimates and judgements made by those responsible for

the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses for the periods then ended.

Consent

We consent to the inclusion in the Admission Document dated 23 March 2005 of this report and accept responsibility for this report for the purposes of Regulation 13(1)(d) and paragraph 45(i)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the Historical Cost Convention.

The Company meets its day to day working capital requirements through a funding facility provided by its parent company. The directors consider that the Company will continue to operate within the facilities currently agreed. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

The current asset investments are held at the lower of cost and net realisable value.

A prior period adjustment has been made to 30 September 2003 accounts to reflect the requirements of FRS3 and to show a fairer presentation of the financial position of the Company. The adjustment, reduces the operating loss of the Company by £146,246, but does not affect the loss on ordinary activities before taxation.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Comparative period

The comparative trading period is for nine months to 30 September 2003.

3. PROFIT AND LOSS ACCOUNTS

		Year ended 30/09/04	Year ended As restated 30/09/03	7 months ended 30/09/02
	Notes	£	£	£
Administrative expenses		(264,972)	(172,897)	–
Operating loss	6.1	(264,972)	(172,897)	–
Investment income	6.2	6,118	(117,125)	–
Other interest receivable and similar income		554	296	–
Amounts written off investments		–	(29,121)	–
Interest payable and similar charges	6.3	(9,042)	(12,702)	–
Loss on ordinary activities before taxation		(267,342)	(331,549)	–
Tax on loss on ordinary activities	6.4	–	–	–
Loss on ordinary activities after taxation	6.10	(267,342)	(331,549)	–

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

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

4. BALANCE SHEETS

		30/09/04	30/09/03	30/09/02
	Notes	£	£	£
CURRENT ASSETS				
Debtors	6.5	330,021	14,498	–
Investments	6.6	–	56,529	–
Cash at bank and in hand		3,407	69,733	1
		333,428	140,760	1
Creditors: amounts falling due within one year	6.7	(119,832)	(472,308)	–
Net current assets/(liabilities)		213,596	(331,548)	1
Total assets less liabilities		213,596	(331,548)	1
CAPITAL AND RESERVES				
Called up share capital	6.8	812,487	1	1
Profit and loss account	6.9	(598,891)	(331,549)	–
SHAREHOLDERS' FUNDS – equity interests	6.10	213,596	(331,548)	1

5. CASH FLOW STATEMENT

	<i>30/09/04</i>	<i>30/09/03</i> <i>As restated</i>	<i>30/09/02</i>
<i>Notes</i>	£	£	£
Net cash (outflow)/inflow from operating activities	(932,971)	284,913	–
Returns on investments and servicing of finance			
Interest received	554	298	–
Interest paid	(9,042)	(12,702)	–
Net cash outflow for returns on investments and servicing of finance	(8,488)	(12,404)	–
Financial investment			
Receipts from sales of investments	6,118	609,710	–
Net cash inflow for capital expenditure	6,118	609,710	–
Net cash (outflow)/inflow before management of liquid resources and financing	(935,341)	882,219	–
Management of liquid resources			
Current asset investments	56,529	(812,486)	–
Net cash inflow/(outflow) management of liquid resources	56,529	(812,486)	–
Financing			
Issue of ordinary share capital	812,486	–	1
Net cash inflow from financing	812,486	–	1
(Decrease)/increase in cash in year	(66,326)	69,733	1

Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	<i>30/09/04</i>	<i>30/09/03</i> <i>As restated</i>	<i>30/09/02</i>
	£	£	£
Operating loss	(264,972)	(172,897)	–
Increase in debtors	(315,523)	(14,498)	–
(Decrease)/increase in creditors within one year	(352,476)	472,308	–
Net cash (outflow)/inflow from operating activities	(932,971)	284,913	–

Reconciliation of net cash flow to movement in net funds

	<i>30/09/04</i>	<i>30/09/03</i>	<i>30/09/02</i>
	£	£	£
(Decrease)/increase in cash in the year	(66,326)	69,733	1
Cash inflow/(outflow) from decrease/(increase) in liquid resources	(56,529)	85,650	–
Change in net debt resulting from cash flows	(122,855)	155,383	1
Amounts written off short-term investments	–	(29,122)	–
Movement in net funds in year	(122,855)	126,261	1
Opening net funds	126,262	1	–
Closing net funds	3,407	126,262	1

6. NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2002 AND TWO YEARS ENDED 30 SEPTEMBER 2004

6.1 Operating loss

	<i>Year ended</i> 30/09/04 £	<i>Year ended</i> 30/09/03 £	<i>7 months to</i> 30/09/02 £
Operating loss is stated after charging:			
Operating lease rentals	15,349	6,907	–
Auditors remuneration			
– Company audit fees	4,850	3,500	–
– Non audit services	11,811	2,626	–
	<u>11,811</u>	<u>2,626</u>	<u>–</u>

6.2 Investment income

	<i>Year ended</i> 30/09/04 £	<i>Year ended</i> 30/09/03 £	<i>7 months to</i> 30/09/02 £
Profit/(Loss) on disposal of listed investments	6,118	(117,125)	–
	<u>6,118</u>	<u>(117,125)</u>	<u>–</u>

6.3 Interest payable and similar charges

	<i>Year ended</i> 30/09/04 £	<i>Year ended</i> 30/09/03 £	<i>7 months to</i> 30/09/02 £
Other interest	9,042	12,702	–
	<u>9,042</u>	<u>12,702</u>	<u>–</u>

6.4 Tax on loss on ordinary activities

	<i>Year ended</i> 30/09/04 £	<i>Year ended</i> 30/09/03 £	<i>7 months to</i> 30/09/02 £
Current tax charge	–	–	–
Factors affecting the tax charge for the year			
Loss on ordinary activities before taxation	(267,342)	(331,549)	–
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% 2004, 2003 0.00% and 2002 0.00%	–	–	–
Current tax charge	<u>–</u>	<u>–</u>	<u>–</u>

The Company has estimated tax losses of £420,000 at 30 September 2004 (£183,500 at 30 September 2003 and £Nil at 30 September 2002) available for carry forward against future trading profits.

6.5 Debtors

	30/09/04 £	30/09/03 £	30/09/02 £
Amounts owed by Harrell Hospitality Group Inc.	321,187	–	–
Other debtors	7,566	14,498	–
Prepayments and accrued income	1,268	–	–
	<u>330,021</u>	<u>14,498</u>	<u>–</u>

6.6 Current asset investments

	30/09/04 £	30/09/03 £	30/09/02 £
Listed investment	–	56,529	–

6.7 Creditors: amounts falling due within one year

	30/09/04 £	30/09/03 £	30/09/02 £
Trade creditors	7,724	–	–
Amounts owed to Harrell Hospitality Group Inc.	–	466,308	–
Accruals and deferred income	112,108	6,000	–
	<u>119,832</u>	<u>472,308</u>	<u>–</u>

6.8 Share capital

	30/09/04 No	30/09/04 £	30/09/03 No	30/09/03 £	30/09/02 No	30/09/02 £
Authorised:						
Ordinary shares of £0.01 each	500,000,000	5,000,000	500,000,000	5,000,000	–	–
Ordinary shares of £1 each	–	–	–	–	1,000	1,000
Allotted, called up and fully paid						
Ordinary shares of £0.01 each	81,248,680	812,487	100	1	–	–
Ordinary shares of £1 each	–	–	–	–	1	1

Issues of Shares Period to 30 September 2002

On the 22 February 2002 1 share was allotted at par.

Issues of Shares Year to 30 September 2003

On the 25 March 2003 the authorised share capital of 1,000 Ordinary shares of £1 each were converted into 100,000 ordinary shares of 1p each.

On the same date the authorised share capital was increased from £1,000 to £5,000,000 by the creation of 499,900,000 ordinary shares of 1p each to rank as from issue on all aspects pari passu with the existing ordinary shares.

Issue of Shares Year to 30 September 2004

On 23 October 2003, 60,786,095 ordinary 1p shares were issued for consideration of the conversion of £607,860.95 of the holding company loan.

On 13 February 2004 a further 6,250,000 ordinary 1p shares were issued for consideration of the conversion of £62,500 of the holding company loan.

On the 31 March 2004 a further 14,212,485 ordinary 1p shares were issued for consideration of the conversion of £142,124.85 of the holding company loan.

6.9 Statement of movements on the profit and loss account

	<i>Profit and loss account</i>
	£
22 February 2002	–
Retained loss for the period	–
At 1 October 2002	–
Retained loss for the year	(331,549)
At 1 October 2003	(331,549)
Retained loss for the year	(267,342)
At 30 September 2004	(598,891)

6.10 Reconciliation of movements in shareholders' funds

	<i>30/09/04</i>	<i>30/09/03</i>	<i>30/09/02</i>
	£	£	£
Loss for the financial year/period	(267,342)	(331,549)	–
Proceeds from issue of shares	812,486	–	1
Net addition to/(depletion in) shareholders' funds	545,144	(331,549)	1
Opening shareholders' funds	(331,548)	1	–
Closing shareholders' funds	213,596	(331,548)	1

6.11 Financial commitments

At the year ends the Company had annual commitments under non-cancellable operating leases as follows:

	<i>30/09/04</i>	<i>30/09/03</i>	<i>30/09/02</i>
	£	£	£
Land and buildings			
Expiry date:			
Within one year	17,148	3,464	–

6.12 Employees

Number of employees

There were no employees during the year

6.13 Related party transactions

The following provided consultancy services to the Company during the period:

Northshore Capital Limited, a company owned by G Thompson a former director of the Company, provided consultancy services of £6,925 during 2004, £33,573 during 2003 and £nil during 2002. The Company owed £Nil at 30 September 2004, 2003 and 2002.

During the year ended 30 September 2003, Northshore Capital Limited made a loan to the Company for £116,058. This loan was repaid by the Company during the year ended 30 September 2003 together with interest of £9,942.

London Merchant Capital Limited, a company owned by P Harris, provided consultancy services of £49,636 during 2004, £14,583 during 2003 and £nil during 2002. The Company owed £1,708 at 30 September 2004 and £Nil at 30 September 2003 and 2002.

Apsley Estates Limited, a company in which G Dart is a director and shareholder, provided consultancy services of £60,000 during 2004, £38,572 during 2003 and £nil during 2002. The Company owed £38,500 at 30 September 2004 and £Nil at 30 September 2003 and 2002.

C Russell a director of the holding company, Harrell Hospitality Group Inc, provided consultancy services of £60,000 during 2004, £25,000 during 2003 and £nil during 2002. The Company owed £43,750 at 30 September 2004 and £Nil at 30 September 2003 and 2002.

In accordance with the exemption stated in FRS 8, no details are shown of related party transactions with the parent company which holds 90% or more of the voting rights.

6.14 Control

The Company is under the control of Harrell Hospitality Group Inc, a company incorporated in the state of Delaware, USA and which owns 100% of the company's issued share capital. Harrell Hospitality Group Inc is also the ultimate parent company.

Copies of the accounts of Harrell Hospitality Group Inc can be obtained from: 16475 North Dallas Parkway, Suite 410, Addison, Dallas, TX 75001.

6.15 Post balance sheet events

On the 22 March 2005 the Company's parent company, Harrell Hospitality Group Inc., entered into an agreement to sell the entire issued share capital of the Company to Red Leopard Holdings plc. The eventual acquisition is contingent upon Red Leopard Holdings plc admission to AIM. On Red Leopard Holdings Plc's admission to AIM, the control of the Company and the financial support for the Company transfers to Red Leopard Holdings plc.

Yours faithfully

Mazars LLP

PART V

ADDITIONAL INFORMATION

1. Incorporation of the Company

- 1.1 The Company was incorporated and registered in England and Wales under the Act on 17 November 2004 with registered number 5289187 as a public limited company and on 5 January 2005 it was granted a certificate under s.117 of the Act to do business and borrow. The liability of the members of the Company is limited.
- 1.2 The registered office address of the Company is as set out on page 3.
- 1.3 The principal legislation under which the Company operates is the Act and regulations made thereunder.

2. Share Capital of the Company

- 2.1 At the date of its incorporation, the authorised share capital of the Company was £80,000 divided into 80,000 ordinary shares of £1 each of which all such shares were in issue, fully paid.
- 2.2 By resolution of 22 November 2004 it was, inter alia, resolved:
 - 2.2.1 to subdivide the then issued shares into ordinary shares of 0.2 pence only;
 - 2.2.2 to increase the authorised share capital of the Company from £80,000 to £2,808,148.14 by the creation of an additional 1,364,074,074 ordinary shares of 0.2p each;
 - 2.2.3 to authorise the directors generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of the section 80(2) of the Act) up to a maximum nominal amount of the Company's increased authorised but unissued share capital until the date five years following the passing of the resolution but so as to enable the Company before that date to make offers or agreements which would or might require relevant securities to be allotted after that date and to enable the directors to allot relevant securities in pursuance of those offers or agreements as if the authority conferred by them had not expired; and
 - 2.2.4 to empower the directors until its first annual general meeting which shall not be later than 16 February 2006 to allot shares for cash as if section 89(1) of the Act did not apply to that allotment save that during such period, the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority (and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired).

Shareholders should therefore note that the Board has authority to allot and issue Ordinary Shares without regard to statutory pre-emption rights.

- 2.3 The following is a summary of the changes in the issued share capital of the Company since incorporation:
 - 2.3.1 on 21 March 2005 the Company issued 137,750,000 Ordinary Shares, fully paid pursuant to the Offer for Subscription.
- 2.4 Save as referred to herein no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 Pursuant to the terms of the Offer for Subscription 95% of the Ordinary Shares subscribed for were issued at 1 pence per Ordinary Share. The remaining 5% of Ordinary Shares will be issued at Admission also at 1 pence per Ordinary Share.

2.6 The authorised and issued share capital of the Company immediately prior to and following Admission is and will be as follows:

<i>Prior to Admission</i>			<i>Issued Share Capital</i>	
<i>Authorised Share Capital</i>				
<i>Class of Share</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>
Ordinary Shares	£2,808,148	1,404,074,074	£355,500	177,750,000

<i>Immediately on Admission</i>			<i>Issued Share Capital</i>	
<i>Authorised Share Capital</i>				
<i>Class of Share</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>
Ordinary Shares	£2,808,148	1,404,074,074	£379,660	189,830,000

2.7 The agreement referred to at paragraph 11.1.5 of this Part V gives further details of all Ordinary Shares which may be issued to the Vendor.

3. Directors

3.1 Other than their directorships of the Company, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Robert Coe (Chairman)	<ul style="list-style-type: none"> • Wilder Coe Management Services Limited • Wilder Coe Secretarial Services Limited • Elwilply Limited • Psychological Consultancy Services Limited • Orchidrate Limited • Sweeppower Limited • Artaius Company Services Limited • Artaius Limited • Street Properties Limited • Wilder Coe Limited • Quintessentially English plc • Marylebone Consulting Group Limited 	<ul style="list-style-type: none"> • Hardy Amies plc • New Media Industries plc • Stirling Group plc • Vastchoice Limited • Chusid Lander (Wales) Limited • PCS Training Solutions Limited • Marvellous Management Limited • Brook Finance Limited • Hercules Property Services plc • Stirling Group Employee Benefit Company Limited • Addison Beyer Green Limited
Stephen Thomson	<ul style="list-style-type: none"> • Sgt Services Limited • Oak Holdings Plc • e-carfinder Limited • Tellings Golden Miller Group plc • Fundamental-e Investments Plc • Sitec Group Limited • Quotient Communications Limited • Oak Ventures Limited • Yorkshire Entertainment Sensation Limited 	<ul style="list-style-type: none"> • Anglo-Welsh Limited • Conquest Business Media Limited • Medical Solutions plc • The West Bromwich Spring Limited • Dartline Boatbuilders (Bunbury) Limited • Anglo-Welsh Waterway Holidays Limited • Harborough Marine Limited • Shropshire Union Cruises Limited • Dartline Tardebigge Limited • Dartline Cruisers Limited • Trevor Wharf Services Limited • New Mills Wharf Limited • Anglo-Welsh Engineering Limited • Boating Bargains Limited • Canal Pleasurecraft (Stourport) Limited • Dockland Restaurant Boat Company • Time Afloat Limited • Dart Spring & Safe Co. Limited • Scanda Springs (1996) Limited

3.2.1 The Directors have been involved in the following company insolvency related matters:

- Mr Coe was an executive director of Hophaven Limited which went into receivership on 4 February 1993 and was dissolved on 6 October 1998. He was also an executive director of Elanway Limited, a subsidiary of Hophaven Limited, which went into receivership on 22 January 1992 and was dissolved on 14 September 1994. The total deficiency in respect of both receiverships was £466,250. Mr Coe, together with investors, was an unsatisfied creditor for £365,250.
- Mr Coe was a director of Advanced Video Limited which went into receivership on 27 September 1989. The Company was dissolved on 27 September 1994. The shortfall to creditors was £62,645.
- Mr Coe was a director of Union Group plc ("Union") and its two subsidiaries Holding Financier ITL Limited and Holding Financier ITL (London) Limited. Administrative receivers were appointed for all these companies on 7 October 1997, save for Holding Financier ITL (London) Limited when the appointment was on 9 October 1997. Mr Coe resigned his directorships of Union and its subsidiaries on 29 April 1998. All the companies were placed into creditors' voluntary liquidation on 14 July 1998 and dissolved on 17 August 2000. The total deficiency to creditors in the liquidation was £20 million of which £10 million was owed to other group companies.
- Mr Thomson was a director of Quotient Communications Ltd when it went into administrative receivership on 13 May 2002. The shortfall to creditors has yet to be determined.
- Mr Thomson was a director of The West Bromwich Spring Ltd when the directors put it into administration on the 20 January 2000. The company was discharged from administration on the 13 July 2000. There was a corresponding CVA which was approved at a creditors meeting on the 14 April 2000. All liabilities under the terms of the CVA were met by the company with the final payment completed by April 2003.

3.3 Save as disclosed herein and as at the date of this document, no Director has:

- 3.3.1 any unspent convictions in relation to indictable offences; or
- 3.3.2 been declared bankrupt or made any individual voluntary arrangement; or
- 3.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
- 3.3.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
- 3.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
- 3.3.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4. Directors' and other interests

- 4.1 The interests of the Directors and the persons connected with them (within the meaning of Section 346 of the Act) in the share capital of the Company, all of which are beneficial, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required to be maintained pursuant to section 325 of the Act, as at the date of this document and on Admission are and will be as follows:

	<i>Number of Ordinary Shares</i>	<i>Options over Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital as at the date hereof</i>	<i>Percentage of issued Ordinary share capital as at Admission</i>
Robert Coe	10,000,000	2% of issued share capital at date of exercise	5.6%	5.3%
Stephen Thomson	5,000,000	2% of issued share capital at date of exercise	2.8%	2.6%

- 4.2 Save as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.
- 4.3 Save as disclosed above, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 4.4 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Company.
- 4.5 As at 22 March 2005 (being the latest practicable date prior to the date hereof) and as anticipated immediately following Admission other than interests disclosed in paragraph 4.1 above and save as set out below the Directors are not aware of any persons directly or indirectly, jointly or severally, who exercise or could exercise control over the Company or who is interested (within the meaning of Part VI of the Act), directly or indirectly, jointly or severally, in three per cent. or more of the issued share capital of the Company:

<i>Name of Shareholder</i>	<i>Current</i>		<i>As at Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital held</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Mark Tellwright	38,000,000	21.38	40,000,000	21.07
Baskerville Holdings Limited	15,000,000	8.44	15,000,000	7.90
Michael Yeatts	12,350,000	6.95	13,000,000	6.85
Michael Connell	14,250,000	8.02	15,000,000	7.90
David Moroney	10,450,000	5.88	11,000,000	5.79
Robert Coe	10,000,000	5.63	10,000,000	5.27
James Palmer	9,500,000	5.34	10,000,000	5.27
William Meadon	9,500,000	5.34	10,000,000	5.27
Colin Hearn	9,500,000	5.34	10,000,000	5.27
Anthony Mullineaux	8,550,000	4.81	9,000,000	4.74
Paul Morris	7,600,000	4.28	8,000,000	4.21
WB Nominees Limited	6,650,000	3.74	7,000,000	3.69
Richard Hallett	5,700,000	3.21	6,000,000	3.16

5. Directors' Service Contracts and agreements with advisers

- 5.1 The advisory and consulting services of Messrs Coe and Thomson are provided under service agreements dated 23 March 2005. Each appointment is terminable on 12 months' notice from either side and their fees are of £25,000 and £20,000 per annum respectively. Mr Coe's services are provided through Wilder Coe. Mr Thomson's services are provided through SGT Services Limited. Where, in any 12 month period starting on 1 April in any year either of the Directors has provided their services for more than 15 days then the Company will pay an additional sum equal to 1/15 of their respective per annum fees per day worked.
- 5.2 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director which are outstanding.
- 5.3 It is estimated that the aggregate emoluments of the Directors (excluding VAT) in the current financial year ending 31 December 2005 will amount to £33,750 under arrangements in force at the date hereof. The Company has not had any previous completed financial year.
- 5.4 Save as referred to in paragraph 5.1 above, there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year. Other than as set out above, there have been no changes to Directors' service agreements in the last six months.
- 5.5 Save as disclosed above and elsewhere in this document, there is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.

6. Accounting

- 6.1 The Company's accounting reference date is 31 December. The Company's first accounting reference period will end on 31 December 2005.

7. Registered office

The registered office for the Company is 233-237 Old Marylebone Road, London, NW1 5QT.

8. Taxation

The following paragraphs include advice received by the Directors about the tax position of shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their Ordinary Shares as investments and not as an asset of a financial trade. The statements below are intended only as a general guide and do not constitute advice to any shareholder on his or her personal tax position and may not apply to certain classes of investor (such as dealers or UK insurance companies). The comments are intended as a general guide and based on current legislation and Inland Revenue practice. Any investor who is in doubt as to his or her tax position and in particular, those who are subject to taxation in a jurisdiction other than the United Kingdom, are strongly advised to consult his or her professional adviser.

8.1 Taxation of the Company

The Company will be liable to UK corporation tax the rate of which depends on the level of its profits for each accounting period. The current rates of corporation tax are between 0% and 30%. For example where the Company's taxable profits exceed the top level (currently £1,500,000) the Company will be liable to UK Corporation Tax at the rate of 30 per cent. of its taxable profits.

8.2 Taxation of Dividends

Under current United Kingdom tax legislation, no tax is required to be withheld from dividend payments by the Company

A UK resident shareholder who is an individual will be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit).

The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax, will be reduced to 10 per cent. Accordingly, the tax credit will discharge such shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that shareholder's liability to UK income tax, such shareholder will not be entitled to claim payment of the excess from the Inland Revenue.

The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and associated tax credit, falls above the threshold for higher rate tax, is 32.5 per cent. which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the actual amount of the dividend received.

Trustees of UK resident discretionary settlements will be liable to income tax at the rate applicable to trusts currently being 32.5% of the gross dividend which taking into account the tax credit gives an effective rate of tax of 25% of the net dividend received.

Shareholders will not be entitled to a repayment from the Inland Revenue in respect of the tax credit.

8.3 UK corporate shareholders

A shareholder which is a UK resident company will in general not be liable to UK corporation tax on dividends received on its Ordinary Shares.

Section 574 Relief

The Ordinary Shares are likely to be treated as not being listed or quoted for the purposes of those sections of ICTA which use those terms in relation to securities provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM).

Assuming that the Company remains a trading company or the holding company of a trading group for tax purposes in the UK Sections 573 to 576 of ICTA will (subject to the relevant conditions specified in those sections) apply to investment companies and individuals investing in the Ordinary Shares.

Section 574 of ICTA permits, a loss on a subscription for money or moneys worth for Ordinary Shares in a qualifying trading company to be relieved against any investor's taxable income as an alternative to setting the loss against the capital gains. Upon making the appropriate claim, relief is given against income on the tax year in which the loss arises, or the preceding year.

8.4 Inheritance Tax ("IHT") Relief

Ordinary shares in companies admitted to trading on AIM, such as the Company, generally qualify for 100 per cent. IHT Business Property Relief provided that they have been held for two years prior to an event given rise to a potential charge of IHT. Any shareholder who has any doubts as to his IHT position should consult a professional adviser, especially before making any gift or transfer of shares.

8.5 Capital gains tax

Changes to the structure of capital gains tax for individuals, trustees and personal representatives were introduced on 6 April 1998, including changes to the rules relating to the holding of shares.

A disposal of shares is generally treated on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax subject first to matching with same day and following 30 days acquisitions.

In addition, gains made by individuals, trustees and personal representatives after 5 April 1998 may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998. With effect from 6 April 2000, disposals of any shareholdings in unquoted qualifying trading companies will qualify as business assets, eligible for enhanced rates of taper relief. Shareholdings disposed of on or after

6 April 2002 qualify for the maximum relief of 75% after two years of ownership, reducing the effective capital gains tax rate to 10% for a higher rate taxpayer.

Chargeable gains – corporate shareholders

The above changes to the taxation of chargeable gains do not apply to corporate shareholders, to which share “pooling” and indexation rules will continue to apply.

8.6 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

8.6.1 The allotment and issue of Ordinary Shares by the Company pursuant to the Subscriptions will not give rise to a charge to stamp duty or SDRT.

8.6.2 Transfers of Ordinary Shares will be liable to ad valorem stamp duty at the rate of 50p per £100 (or part thereof) of the actual consideration paid (subject to a minimum level of Stamp Duty of £5 and rounded up to the nearest £5). An unconditional agreement to transfer such shares will be subject to SDRT at the rate of 0.5 per cent. of the consideration paid, payable by the seventh day of the month following the date of the agreement or if the agreement was conditional, the date of satisfaction of the applicable condition(s). Liability to Stamp Duty and SDRT is generally that of the transferee.

Special rules apply to the agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons. Agreements to the transfer shares to charities will not give rise to SDRT or stamp duty.

9. Memorandum of Association

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.

10. Articles of Association

10.1 Voting rights

10.1.1 Members shall (subject to certain provisions) have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

10.1.2 No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a direction notice in the manner described in sub-paragraph 10.2.

10.2 Restrictions on shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice, the Directors may serve on such member or on any such person a notice (a “direction notice”) in respect of the shares in relation to which the default occurred (“default shares”) directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the shares, the direction notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered (save as required by the Uncertificated Securities Regulations 2001 (the “Regulations”)) unless the member is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that, after due and careful enquiry, the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is an approved transfer. The prescribed period referred to above is 42 days from the date of service of the notice under section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

10.3 Variation of class rights and alteration of capital

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

10.4 Transfer of shares

- 10.4.1 A shareholder may transfer any of his shares by an instrument of transfer in writing in any usual form or in another form approved by the Directors or, without a written instrument (subject to the shares becoming a participating security for the purposes of the Regulations), through CREST in accordance with the Regulations. The transferor will remain the holder of the share transferred until the name of the transferee is entered in the Company's register of members in respect of it.
- 10.4.2 The Directors may refuse to register a transfer of a share which is in respect of a partly paid share (provided that the discretion for such refusal may not be exercised in such way as to prevent dealings in the shares of that class from taking place on an open and proper basis), is in favour of more than four transferees, is not duly stamped (if required) or is not delivered for registration with the appropriate evidence of the transferor's title to the Company's registered office or such other place as the Directors may decide.
- 10.4.3 The Directors are required to register a transfer of an uncertificated share (a share in CREST) in accordance with the Regulations.
- 10.4.4 If the Directors refuse to register a share transfer, the Board must send notice of the refusal to the transferee within two months following the delivery of the transfer to the Company. No fee is chargeable by the Company for the registration of a share transfer. The registration of share transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may decide.

10.4.5 There are no rights of pre-emption under the Articles in respect of transfers of Ordinary Shares.

10.5 Borrowing powers

10.5.1 The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

10.5.2 The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Company and any such subsidiary undertakings (in this sub-paragraph, the "Group") and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed a sum equal to three times the aggregate of:

- (a) the amount paid up on the issued share capital of the Company; and
- (b) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) all as shown in the latest audited and consolidated balance sheet of the Group.

10.6 Dividends and distributions on liquidation to shareholders

10.6.1 The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on shares and shall be apportioned and paid proportionately to the amounts paid up on shares during any portion of the period in respect of which the dividend is paid.

10.6.2 The Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.

10.6.3 No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.

10.6.4 On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

10.6.5 The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer shareholders the right to elect to receive shares credited as fully paid or debentures instead of cash in respect of the whole or part of any dividend.

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

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

10.7 Directors

10.7.1 The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Act or by the Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the

Articles of the Act, and to such directions (being not inconsistent with any provisions of the Articles or of the Act) as may be given by the Company in general meeting.

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

voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

- 10.7.6 The Directors shall be paid out of the funds of the Company for their services subject to such limit (if any) as the Company in general meeting may from time to time determine). Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally.
- 10.7.7 Subject to the provisions of the Statutes, the Directors may from time to time appoint one or more of their body to such executive office as they may decide. His appointment shall be automatically determined if he ceases from any cause to be a Director, without prejudice to any claim for damages such Director may have for breach of any service contract between him and the Company. The salary or remuneration of any executive Director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance and other benefits.
- 10.7.8 The Directors may entrust to and confer upon a managing director or an executive Director any of the powers and discretions exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and discretions and may from time to time revoke, withdraw, alter or vary all or any of such powers or discretions.
- 10.7.9 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- 10.7.10 Subject to the provisions of the Statutes, the Company may, by ordinary resolution, suspend or relax certain of these provisions to any extent or ratify any contract, arrangement or transaction not duly authorised by reason of a contravention of those provisions.
- 10.7.11 Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) does not apply to the Company.
- 10.7.12 Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and at any time to terminate such appointment.
- 10.7.13 At each annual general meeting of the Company, one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office, or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot.

11. Material Contracts

- 11.1.1 A Broker Agreement dated 23 March 2005 between the Company and Seymour Pierce Ellis pursuant to which the Company has appointed Seymour Pierce Ellis to act as Broker for the purposes of the Rules of AIM. The Company has agreed to pay Seymour Pierce Ellis a fee of £15,000 (plus VAT) per annum. The Agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The Agreement will continue unless and until terminated

by either party on three months notice (such notice not to take effect prior to the first anniversary of Admission) or otherwise in accordance with the terms of this Agreement. The Agreement may further be terminated by either party forthwith in the event of a serious breach of the other's obligations under this Agreement;

11.1.2 A Nominated Adviser Agreement dated 23 March 2005 between the Company and CFA pursuant to which the Company has appointed CFA to act as Nominated Adviser to the Company for the purposes of the rules of AIM. The Company has agreed to pay an annual retainer of £15,000 (plus VAT) for its services as Nominated Adviser under this Agreement. The Agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The Agreement will continue unless and until terminated by either party on three months' notice or otherwise in accordance with the terms of the Agreement. The Agreement may further be terminated by either party forthwith in the event of a serious breach of the other's obligations under this Agreement;

11.1.3 By an Agreement dated 23 March 2005, CFA agreed to provide certain services for the purposes of acting as the Company's Nominated Adviser in connection with Admission. Pursuant to the terms of this Agreement, CFA agreed, inter alia, to provide general project management and co-ordination services in respect of Admission. In addition, CFA gave assistance to the Company in relation to the Offer for Subscription. In consideration of the services provided by CFA in relation to Admission and to services provided in relation to the Offer for Subscription, the Company agreed to pay CFA £50,000 on Admission and completion of the Acquisition and an option over 1% of the issued ordinary share capital as more particularly described in Part I of this document. This fee excluded VAT. The Agreement further contained certain indemnities given by the Company to CFA;

11.1.4 An agreement dated 23 March 2005 between the Company and First Merchant Capital Limited (a company affiliated with Mr Geoffrey Dart) ("First Merchant") pursuant to which the Company engaged First Merchant to provide advisory services to the Company by sourcing and evaluating potential acquisition opportunities for the Company and assisting the Company in relation to any such acquisitions. It was agreed that First Merchant would be entitled to a percentage cash fee on a sliding scale as follows:

On the first £1,000,000 – 5% on consideration from £1,000,001 to £2,000,000 – 4% of the consideration, on consideration from £2,000,001 to £3,000,000 – 3% of the consideration, on consideration from £3,000,001 to £4,000,000 – 2% of the consideration and on consideration above £4,000,000 First Merchant will receive 1% of the consideration. First Merchant sourced the Acquisition and will be paid a fee of £50,000 in respect of this introduction.

11.1.5 By an agreement dated 22 March 2005 the Company agreed, conditionally on and with effect from immediately prior to Admission, to acquire the entire issued share capital of HHE from the Vendor for a consideration of £2,711,840 of which (a) £461,840 is payable in cash; (b) £1,000,000 by the issue (subject to a maximum of 56,250,000 Initial Shares being so issued) of Initial Shares based on the average mid-market price during the 42 day period from Admission (with a minimum price of 1 pence per share). To the extent that the issue of such Initial Shares is so valued at less than £1,000,000 the balance shall be paid by way of the issue of loan notes (the "Loan Notes"); and (c) £1,250,000 by way of the issue to the Vendor of Conditional Shares (subject to a maximum, together with the Initial Shares referred to in (b) above, of 56,250,000 based on the average mid-market price during the 42 day period from Admission) upon satisfaction of the introduction to the Directors within 3 years of Admission of 3 hospitality business opportunities and 1 non-hospitality business opportunity that the Directors view (acting reasonably) as feasible. If the value of such Conditional Shares is less than £1,250,000 the balance shall be paid by the issue of Loan Notes.

It was further agreed that the Company, on account of potential liabilities of HHE, would retain £90,000 of the purchase consideration for a period of 2 months following completion of the Acquisition with which to make payment of those liabilities with the balance

remaining returned to HHG. HHG has provided warranties and indemnities relating to HHE and has also entered into certain non-compete obligations in respect of the UK and China.

The terms of the Loan Notes referred to above can be summarised as follows:

Each Loan Note is unsecured and their repayment date will be 31 March 2015. The interest rate is 3% and interest is to be paid annually in arrears commencing on 31 March 2007. The Loan Notes will be subject to early repayment and they are convertible at the option of the Company at any time into Ordinary Shares at the prevailing share price on the day of conversion.

The Acquisition Agreement also sets out the principal terms of any future joint venture agreements between HHE and the Vendor and these are summarised below:

Pursuant to the Acquisition Agreement it is intended that HHE and HHG will enter into an agreement setting out the terms of their ongoing relationship to develop hospitality opportunities in the UK and China. During the term of, and for the 18 month period after termination of any agreement HHG shall not be entitled to undertake any other hotel or hospitality opportunities in the United Kingdom or China.

Leads from HHG, agents and others for the purchase of existing hotels suitable for conversion to a "Courtyard by Marriot" hotel or for the new build of a hotel suitable to be a "Courtyard by Marriot" hotel will be presented to HHE. HHE will evaluate these opportunities with the support of HHG (i.e. due diligence services in relation to the acquisition of the opportunity and technical services in connection with development of the opportunity). HHG will be paid at cost for these services by HHE provided that HHE has first agreed to such costs being incurred.

Once a new, or existing hotel, site is secured it will be owned by a special purpose vehicle ("SPV") which will be owned by: (a) the equity providers, which could include HHG if they wish to invest on similar terms, or depending on each project there may, or not, be an opportunity to earn an equity stake; and, (b) HHE. HHG may also be granted by HHE equity in the SPV depending on the particular circumstances of the opportunity.

For each SPV that is created a joint venture company ("JVCO") will be established to provide services via a management agreement to the SPV. These services will include ongoing management services with respect to the operation of hotels. Fees for all these services are to be paid to JVCO by the relevant SPV.

Operating revenues of any particular JVCO will come from providing the above services to its corresponding SPV, and the SPV will pay its corresponding JVCO for these services. Therefore, until an SPV is successful in opening a hotel, the JVCO will not have operating revenues.

Any particular SPV will advance working capital funds to its corresponding JVCO to fund its operation until operating revenues are sufficient to make it self-sustaining. This, in effect, would be a loan from the SPV to the JVCO, which would be repaid by the JVCO.

HHG will be responsible for providing to each JVCO the hospitality business expertise to develop and operate hotel properties and will bring its franchise contacts and its status as a franchisor approved management company to enable such JVCO to provide the services

It is intended that the profits of any particular JVCO will normally be split 50 / 50 between HHE and HHG.

- 11.1.6 Pursuant to the terms of the Offer for Subscription and an agreement with Bowater Capital Limited and Jonathan Pusey dated 22 November 2004 the Company will pay the Fundraisers £55,200 in cash and £48,300 by way of the issue of 4,830,000 Ordinary Shares of 1 pence each representing, in aggregate, 7.14% of the gross value of funds raised under the Offer for Subscription. The Fundraisers who are receiving Ordinary Shares have agreed not to transfer the Ordinary Shares within 12 months from Admission save as in accordance with the Rules of AIM or with CFA's consent.

12. Litigation

Neither the Company nor any member of the Group is engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or any member of the Group which are having or may have a significant effect on the Company's financial position.

13. Intellectual Property Rights

Save as set out herein there are no patents or intellectual property rights, licenses or particular contracts which are of fundamental importance to the Company's business.

14. Investments

Save as disclosed herein there are no investments in progress which are significant.

15. Working capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company and the Group is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

16. General Information

16.1 Mazars LLP were the reporting accountants of the Company for the period relating to the accounts set out in Parts III and IV of this document.

16.2 The total costs and expenses payable by the Company (including commission) in connection with or incidental to Admission and the Acquisition (including VAT where applicable) are estimated to amount to approximately £200,000. The costs of the Offer for Subscription (including VAT where applicable and commissions to Fundraisers) are estimated to amount to £110,000.

16.3 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received directly or indirectly from the Company within the twelve months preceding the date hereof or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following: fees totaling £10,000 or more; or securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price following Admission; or any other benefit with a value of £10,000 or more at the date of Admission.

16.4 Save as disclosed herein, there have been no exceptional factors which have influenced the Group's activities.

16.5 Mazars LLP has given and not withdrawn its written consent to the issue of this document with its name included in it and with the inclusion therein of its reports and references thereto in the form and context in which they are included for the purpose of paragraph 13(1)(g) of the POS Regulations and accepts responsibility for such report in accordance with paragraph 45(8)(b) of Schedule 1 to the POS Regulations and have not become aware since the date of its report of any matter affecting the validity of such report at that date.

16.6 CFA has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

16.7 Seymour Pierce Ellis Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

16.8 Marriott has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears, however Marriott are not to be held liable by any person in relation to the information contained in this document and Marriott makes no representation or warranty as to the accuracy or completeness of such information. Marriott and its affiliates are not shareholders or affiliates of the Company, HHG or HHE or any of their affiliates. Investors in the Company will not receive any ownership interest in Marriott or its affiliates, any activities or ventures of Marriott or its affiliates, the income and profits derived therefrom, or the Marriott names and trademarks. Marriott and its affiliates are and will continue to be engaged in other business ventures, including the acquisition, development, construction,

ownership or operation of lodging properties, which are or may become competitive with hotels owned or operated by the Company, HHE or their affiliates.

16.9 None of the Directors has a related financial product (as such expression is defined in the AIM Rules) referenced to the Ordinary Shares.

23 March 2005