

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

This document, which comprises an AIM Admission document, is a prospectus, has been drawn up in accordance with the rules of AIM (the "AIM Rules") and the Public Offers of Securities Regulations 1995 (the "POS Regulations") and has been delivered to the Registrar of Companies in England and Wales for registration in accordance with paragraph 4(2) of the POS Regulations. The Directors of The Clapham House Group PLC (the "Company" and "the Directors"), whose names and details are set out on page 2 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept responsibility accordingly.

**APPLICATION WILL BE MADE FOR THE WHOLE OF THE ISSUED AND TO BE ISSUED ORDINARY SHARE CAPITAL OF THE CLAPHAM HOUSE GROUP PLC TO BE ADMITTED TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET OF THE LONDON STOCK EXCHANGE ("AIM"). AIM IS A MARKET DESIGNED PRIMARILY FOR EMERGING OR SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK THAN THAT ASSOCIATED WITH ESTABLISHED COMPANIES TENDS TO BE ATTACHED. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER. THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" IN PART IV OF THIS DOCUMENT. THE AIM RULES ARE LESS DEMANDING THAN THOSE OF THE OFFICIAL LIST OF THE LONDON STOCK EXCHANGE. IT IS EMPHASISED THAT NO APPLICATION IS BEING MADE FOR ADMISSION OF THESE SECURITIES TO THE OFFICIAL LIST OF THE UNITED KINGDOM LISTING AUTHORITY. FURTHER, THE FINANCIAL SERVICES AUTHORITY, IN ITS CAPACITY AS UK LISTING AUTHORITY, HAS NOT ITSELF APPROVED THE CONTENTS OF THIS DOCUMENT.**



(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 4918500)

Placing of 14,750,000 Ordinary Shares of 10 pence each at 100 pence per share  
and

Admission to the Alternative Investment Market by

*Noble & Company*  
LIMITED

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**EXPECTED SHARE CAPITAL**  
(immediately following the Placing)

Authorised			Issued	
Amount	Number		Amount	Number
£2,500,000	25,000,000	Ordinary Shares of 10 pence each	£1,505,002	15,050,020

Noble & Company Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for The Clapham House Group PLC as the nominated adviser and broker, for the purpose of the AIM Rules in connection with the Placing and admission to AIM (the "Admission"). Noble & Company Limited will not be responsible to anyone other than The Clapham House Group PLC for providing the protections afforded to clients of Noble & Company Limited nor for providing advice to any other person in connection with the Placing or Admission and the contents of this document. No representation or warranty, express or implied, is made by Noble & Company Limited as to any of the contents of this document for which the Directors are solely responsible.

**The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission or any province or territory of Canada. No document in relation to Admission or the Placing has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance, in relation to the Admission or Placing of the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia or Japan or offered or sold to a person within the United States of America or a resident of Canada, Australia or Japan.**

It is expected that dealings in the Ordinary Shares on AIM will commence on 10 November 2003. Copies of this document will be available free of charge from the offices of Noble & Company Limited, 1 Frederick's Place, London EC2R 8AB for the period of 14 days from the date of Admission.

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors:</b>	David Page (Chairman) Paul Campbell ACA (Chief Executive) Nicholas Donaldson (Non-executive Director)
<b>Secretary:</b>	Patrick Hartrey ACIS
<b>Registered Office:</b>	12 Great James Street London WC1N 3DR
<b>Nominated Adviser:</b>	Noble & Company Limited 76 George Street Edinburgh EH2 3BU
<b>Nominated Broker:</b>	Noble & Company Limited 1 Frederick's Place London EC2R 8AB
<b>Solicitors to the Company:</b>	Marriott Harrison 12 Great James Street London WC1N 3DR
<b>Solicitors to the Placing:</b>	Maclay Murray & Spens 3 Glenfinlas Street Edinburgh EH3 6AQ
<b>Auditors and Reporting Accountants:</b>	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
<b>Receiving Agents and Registrars:</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Website address:</b>	<a href="http://www.claphamhousegroup.com">www.claphamhousegroup.com</a>

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## ANTICIPATED TIMETABLE

Publication of Prospectus	29 October 2003
Admission and commencement of dealings in the Ordinary Shares on AIM	10 November 2003
CREST accounts credited	10 November 2003
Despatch of definitive share certificates	15 November 2003

## PLACING STATISTICS

Placing Price	100 pence
Number of Ordinary Shares in issue immediately following Admission	15,050,020
Market capitalisation at the Placing Price	£15.05 million
Number of Ordinary Shares subject to the Placing	14,750,000
Net proceeds of the Placing receivable by the Company	£14,295,000

## **PART I – KEY INFORMATION**

### **1.1 Introduction**

- The Clapham House Group is seeking to raise up to £14.75 million before expenses through a Placing and admission of the shares of the Company to trading on AIM in order to exploit and develop acquisition opportunities within the UK restaurant sector.
- The Company's strategy is to acquire and develop a small number of quality, branded restaurant formats for expansion into a high growth restaurant group.
- The proposed acquisitions are likely to be predominantly located in and around the M25 region and will focus on areas other than the traditional pizza sector of the UK restaurant market.
- The Company is led by a proven and experienced management team: David Page was formerly Chief Executive of PizzaExpress plc and led its flotation and rapid expansion; Paul Campbell was previously Group Finance Director of PizzaExpress plc.

### **1.2 The Opportunity**

The Directors believe there are a number of factors which make the Company an attractive investment opportunity:

- The UK eating out market grew by 20.2 per cent during the period from 1998 to 2002;
- With the exception of the traditional pizza restaurant sector, the UK restaurant market is generally fragmented;
- The Directors believe that a number of suitable concepts and premises will be available for acquisition, consolidation and development;
- David Page and Paul Campbell have proven track records of developing and building successful restaurant and leisure concepts in the UK respectively;
- The businesses acquired will benefit from group cost synergies;
- The Group intends to hold a blend of freehold and leasehold properties in order to capitalise on property opportunities; and
- The Group intends to exploit opportunities for brand expansion into retail outlets.

### **1.3 The Placing**

- The Group is seeking to raise up to £14.75 million before expenses by way of a Placing of 14,750,000 Ordinary Shares at a price of £1 each.
- The Directors (including members of Mr Page's immediate family) intend to invest £1.20 million in the Placing. The remaining Ordinary Shares will be placed with new institutional and certain other investors.
- Provisional approval has been received from the Inland Revenue that an investment in the Company will be a qualifying investment for the purposes of the EIS and for VCTs.
- It is anticipated that the Ordinary Shares in the Company will be admitted to trading on AIM on 10 November 2003.

## **PART II – INFORMATION ON THE COMPANY**

### **2.1 Background and General Information on the Company**

The Clapham House Group is a new company, based in London, which has been incorporated in order to exploit acquisition opportunities within the UK restaurant sector. The Company's strategy is to create value for shareholders through acquiring and actively developing a small number of restaurant formats predominantly in and around the M25 region for expansion into a high growth restaurant group.

The Directors believe that the Placing and Admission will provide adequate resources to implement the initial phase of the Group's development, building on the Management Team's expertise and experience in the sector. The Placing and Admission will be conditional on raising a minimum of £3.5 million, before expenses.

David Page and Paul Campbell, the executive Directors, were until recently directors of PizzaExpress plc, which is a successful, high profile and profitable restaurant group, trading throughout the UK. They have recently resigned from their executive responsibilities within PizzaExpress plc in order to focus on the development of The Clapham House Group. They consider that there is an excellent opportunity to build, initially through acquisition, a successful group focused on areas other than the traditional pizza sector of the UK restaurant market.

Provisional approval has been received from the Inland Revenue that an investment in The Clapham House Group PLC should be a qualifying investment for the purposes of the EIS and for VCTs.

### **2.2 The Opportunity**

The Directors believe that there is an excellent opportunity to develop a small number of high quality independent restaurant offerings with strong, popular brands.

In the Directors' opinion there are a number of factors, which make the Company an attractive investment opportunity, as follows:

- The UK eating out market grew by 20.2 per cent during the period from 1998 to 2002;
- With the exception of the traditional pizza restaurant sector, the UK restaurant market is generally fragmented;
- The Directors believe that a number of suitable concepts and premises will be available for acquisition, consolidation and development;
- David Page and Paul Campbell have proven track records of developing and building successful restaurant and leisure concepts in the UK respectively;
- The businesses acquired will benefit from group cost synergies;
- The Group intends to hold a blend of freehold and leasehold properties in order to capitalise on property opportunities; and
- The Group intends to exploit opportunities for brand expansion into retail outlets.

### **2.3 The Business Strategy**

The Company will seek to acquire a small number of restaurant formats situated in and around the M25 area, for expansion into a high growth restaurant group. Examples of the types of operations which will be examined are Burger, Meze, Tapas, New World, Greek, Indian, American and Café.

The Directors believe that such concepts are becoming increasingly popular as consumers look for alternatives to larger established chains. The Company is seeking to raise around £14.75 million, before expenses, by way of the Placing, which will allow it to commence the acquisition strategy and provide ongoing working capital. The Placing and Admission will be conditional on raising a minimum of £3.5 million, before expenses. The Directors intend that further funding for expansion will be raised through debt where possible. However, the Directors will also consider making further issues of new Shares as appropriate.

The customer base to be targeted by the Company is one that regularly spends £8–£25 per head eating out. It is intended that the selected formats will be attractive to a wide range of age and family groups.

## **2.4 Acquisition Strategy**

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

- cash generative;
- simple operational formats with typically no more than 10 existing units prior to acquisition;
- low site by site capital expenditure requirements; and
- the potential for an eventual national roll out of at least 50 units.

It is envisaged that the initial sites will predominantly be located in and around the M25 area, which will enable the Management Team to achieve tight operational control over the business. The Directors believe that this area has the ability to support up to 30 sites of a single format. Once the Company has built each operating business into sufficient mass, the Directors will consider expanding outside the M25 region as opportunities arise.

In the first two years it is intended to acquire up to three formats with a roll out of up to 20–30 sites per format over a three to four year period. Alternatively, if a significant bundle of attractive restaurants became available, the Company would consider their acquisition as a way to speed up the expansion of the individual businesses.

The Directors have identified a number of potential acquisitions. To date, no heads of terms have been entered into with any of these parties.

## **2.5 Management Strategy**

The Management Team has many years of experience in the restaurant and broader leisure industries and will use the business contacts and relationships they have established over this period to identify and make contact with potential investment targets. The Directors believe that this experience will also allow them to carry out effective due diligence, to identify and acquire new restaurant sites and to grow the business.

It is the intention of the Directors that when acquiring the initial businesses, the Company will retain all or part of the management of those businesses as operators. In cases where this is not possible, then new, experienced management will be recruited. The consideration paid for the business may, where appropriate and practicable, include an earn-out element to incentivise any retained management. Beyond any earn-out period key managers would be appropriately incentivised on an ongoing basis through bonus or share incentive arrangements.

The Group intends to exploit opportunities for brand expansion into retail outlets, such as supermarkets, which the Directors believe has considerable growth potential.

Over time costs will be saved by centralising certain head office functions such as financial, training, design, marketing and recruitment. The Company will also seek to maximise operational synergies in relation to sourcing and purchasing food, beverages and ancillary items.

## **2.6 Property Strategy**

Although most of the properties occupied are likely to be leasehold, the Company will seek to acquire a proportion of its sites as freehold properties with additional space which can be developed/rented to generate additional income. This blended approach will facilitate a reduction in operating gearing or access to development profits on the back of the property portfolio. It is envisaged a specialist property director will be appointed to carry out this role to ensure the Management Team is not distracted from the main focus of the business.

## **2.7 The Market**

Between 1998-2002 the UK eating out market grew by 20.2 per cent from £13,689 million in 1998 to £16.449 million in 2002. The market is characterised by a wide range of offerings from individual restaurants through numerous small and larger chains (*Source: Mintel Eating Out Review – UK June 2003*). It is estimated that there were 25,474 restaurants in the UK in 2002, serving some 680 million meals per annum (*Source: Foodservice Industry Population File 2002*).

As reported in the Mintel report, consumers have generally become more sophisticated and their expectation levels have increased with regard to quality, service and choice. Whilst at one time a large number of major brands proliferated, the market is moving towards domination by smaller chains and independents, reflecting a growth in desire for individual or niche approaches to eating out.

The table below demonstrates the growth in the UK eating out market, by sector, between 1998–2002 (*Source: Mintel Eating Out Review, UK, June 2003*):

	1998 £m	1999 £m	2000 £m	2001 £m	2002 £m	% change 1998–2002
<b>Fast food:</b>						
Burgers	1,315	1,505	1,700	1,840	1,947	+48.1
Ethnic takeaway	1,375	1,399	1,428	1,490	1,501	+9.2
Pizza/pasta	845	916	971	1,021	1,082	+28.1
Fish and chips	771	790	812	850	868	+12.6
Fried chicken	530	555	633	691	755	+42.5
Other	114	116	119	126	139	+21.9
<b>Total fast food</b>	<b>4,950</b>	<b>5,281</b>	<b>5,663</b>	<b>6,018</b>	<b>6,292</b>	<b>+27.1</b>
<b>Restaurants:</b>						
Pub catering	4,380	4,694	4,900	5,125	5,475	+25.0
Hotel catering	3,506	3,640	3,754	3,750	3,937	+12.3
Restaurant meals	2,713	2,900	3,021	3,188	3,436	+26.6
Ethnic restaurants	1,663	1,680	1,728	1,765	1,863	+12.0
In-store	985	1,035	1,081	1,144	1,203	+22.1
Roadside	442	466	488	519	535	+21.0
<b>Total restaurants</b>	<b>13,689</b>	<b>14,415</b>	<b>14,972</b>	<b>15,491</b>	<b>16,449</b>	<b>+20.2</b>

This table demonstrates the consistent growth over the period in both fast food and restaurant sales. Within the eat-in market, the pure restaurant meals sector has grown fastest, having grown by 26.6 per cent between 1998-2002. This growth has been driven in part by the expansion in outlets of chain operators such as Whitbread and City Centre Restaurants. (*Source: Mintel Eating Out Review, UK, June 2003.*)

## 2.8 Directors

The Directors of The Clapham House Group are:

*David Page (aged 51) (Chairman)*

David Page was formerly Chief Executive of PizzaExpress plc, having been involved with that company for over 25 years. He was a major shareholder and the managing director of the largest PizzaExpress franchise group prior to its merger with the company-owned restaurants in February 1993. He was Managing Director on flotation of the business, became Chairman in December 1997 and moved to the position of Chief Executive in February 2002. He was particularly involved in site selection and strategic leadership.

*Paul Campbell (aged 39) (Chief Executive)*

Paul Campbell qualified as a chartered accountant with Price Waterhouse, before joining The Capita Group plc where he was Managing Director of Capita Corporate Finance. He was subsequently Chief Executive of Relaxion Group plc, a leisure management company with operations throughout the UK and also a director of Kunick Plc, a listed company which purchased Relaxion. He joined PizzaExpress plc as Group Finance Director in March 2002.

*Nicholas Donaldson (aged 49) (Non-executive Director)*

Nick Donaldson, a barrister by profession, was until recently head of corporate finance at Arbutnot Securities Limited (formerly Old Mutual Securities Limited). He has spent the majority of his career to date in investment banking, and has previously held senior positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is a non-executive director of Games Workshop Group plc.

There are no further employees at this stage. However, suitable employees will be added as appropriate following Admission and on the acquisition of restaurant groups.

## **2.9 Summarised Financial Information**

The Clapham House Group was incorporated on 1 October 2003 and has not traded. Following completion of the Placing (assuming full subscription), the Company will have net cash balances of around £14.295 million.

## **2.10 Banking Facilities**

It is the intention of the Directors to negotiate appropriate banking facilities in due course. Two banks have expressed an interest in providing facilities for the Company.

## **2.11 The Placing and Admission**

The Company intends to issue 14,750,000 Ordinary Shares by way of the Placing in order to raise net proceeds of approximately £14.295 million after meeting issue costs. The Placing Shares will be placed with institutional and certain other investors in the UK under the terms of the Placing Agreement, further details of which are set out in paragraph 8 of Part VI of this document. In addition, the Directors (including members of Mr Page's immediate family) have agreed to subscribe £1.20 million for 1,200,000 Ordinary Shares.

The Placing is subject to the raising of a minimum of £3.5 million, before expenses, and satisfaction of conditions set out in the Placing Agreement, including Admission occurring on or before 10 November 2003.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on 10 November 2003.

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

Provisional approval has been received from the Inland Revenue that an investment in the Company will be a qualifying investment for the purposes of the EIS and for VCTs.

## **2.12 Corporate Governance**

The Company intends, where practicable for a company of its size and nature, to comply with the main provisions of the Principles of Good Governance and Codes of Best Practice prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel, published in June 1998 (the "Combined Code"). The Company will hold Board meetings monthly. The Board will be responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

As the Company grows following acquisition of appropriate restaurant groups, further non-executive Directors will be appointed to the Board. At that point, the Board intends to establish the following committees having the following roles within the Company:

- (i) **Audit Committee** – This has primary responsibility for monitoring the quality of internal controls, for ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls;
- (ii) **The Remuneration Committee** – This will determine the terms and conditions of service of the Directors, including their remuneration and the grant of options and restricted shares to executive Directors under the Company's share option schemes;

- (iii) **Nominations Committee** – This will be responsible for identifying the need for Board appointments, defining personal criteria and qualifications of persons to be appointed and managing the appointment process;
- (iv) **Executive Committee** – This will discuss and execute minor administrative matters not requiring full Board approval; and
- (v) **Approvals Committee** – This will discuss and execute administrative matters requiring full Board approval.

The Company will adopt the Model Code for AIM Companies.

## **2.13 Dividend Policy**

The Directors intend, subject to the availability of distributable reserves, that dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Company will be in delivering capital growth for shareholders.

## **2.14 Share Schemes**

The Directors believe that equity incentives are and will continue to be a means of retaining, attracting and motivating key employees. However, the Directors are also of the view that there should be a clear cap on the maximum dilution to Shareholders. The Company will therefore create a share pool of 15 per cent of the fully diluted Ordinary Share capital of the Company to be available to management and staff. This will cover all of the Share Schemes. Further details of the Share Schemes are given at paragraph 2.6 of Part VI of this document.

On any further issues of Shares by the Company, the total number of Shares available for use in the Share Schemes will be adjusted so as to represent 15 per cent of the issued share capital of the Company at any time on a fully diluted basis.

Each of David Page and Paul Campbell will have an interest in Shares under the Share Schemes equal to 5 per cent of the fully diluted share capital of the Company as increased from time to time.

## **2.15 CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced other than by a physical certificate and transferred other than by written instrument. The Board of the Company has resolved that the Company's Ordinary Shares may be held and transferred both in certificated form and in uncertificated form in accordance with the Uncertificated Securities Regulations and the Articles contain provisions allowing this. The Directors will apply for the shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

## **2.16 Qualifying Investment for EIS and VCTs**

The Inland Revenue has provided provisional approval that, based on the information disclosed, the Company and its activities should qualify under the EIS and under the VCT legislation. Further information is set out in Part VI of this document. Any person who is in any doubt as to their taxation position should consult his or her professional taxation adviser.

## **2.17 Further Considerations**

Your attention is drawn to the risk factors set out in Part IV of this document.

## **PART III – THE PLACING**

### **3.1 Shares Subject to the Placing**

The Company intends to issue 14,750,000 Ordinary Shares by way of the Placing in order to raise net proceeds of approximately £14.295 million. In making the Placing, Nobles is acting as agent of the Company in respect of the offer of Ordinary Shares.

### **3.2 The Placing**

Ordinary Shares will be placed to institutional and certain other investors in the UK. The terms and conditions relating to the Placing are set out in the Placing Letter which will be circulated to those institutional and other investors which, having been approached by Nobles, express an interest in applying for Ordinary Shares. Allotments of Ordinary Shares under the Placing are wholly at the discretion of Nobles in consultation with the Company.

The Placing will be conditional on raising a minimum of £3.5 million, before expenses.

### **3.3 Allocation and Pricing**

All Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price. Assuming full subscription, the 14,750,000 Ordinary Shares the subject of the Placing will represent approximately 98 per cent of the issued ordinary share capital of the Company on Admission and all are new Shares.

Nobles will be soliciting indications of interest in acquiring Ordinary Shares under the Placing from prospective institutions and other investors. Such investors will be required to specify the number of Ordinary Shares they would be prepared to acquire at the Placing Price. Investors will also be required to specify whether or not they wish to subscribe for Ordinary Shares under the EIS or under the VCT legislation. This process is expected to be completed by 10 November 2003, but the time may be extended up to 31 December 2003 as the Company and Nobles may agree.

### **3.4 Dealing Arrangements**

The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including the absence of any breach of representation or warranty made by the Company and the Directors and Admission occurring on or before 10 November 2003 (or such later date that may be agreed between Nobles and the Company and not being later than 31 December 2003). Further details of the Placing Agreement are set out in Part VI of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM on 10 November 2003.

### **3.5 Lock in Arrangements**

The Directors have agreed, subject to certain exceptions (including, for example, in the case of a take over offer for the Company), not to dispose of any of their Ordinary Shares until one year after the date of Admission.

## **PART IV – RISK FACTORS**

Prospective investors should consider, in particular, the following before making a decision to subscribe for or purchase Ordinary Shares in the Company. The risks associated with subscribing for Ordinary Shares include, but may not be limited to, the following identifiable risks which, individually or in aggregate, could have a material effect on The Clapham House Group and on shareholders.

The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in The Clapham House Group. In particular, the Company's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

### **4.1 AIM**

The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. Furthermore, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List of the London Stock Exchange. The market value of the Ordinary Shares may not necessarily reflect the underlying net asset value of the Company.

### **4.2 Barriers to Entry and Competition**

The main barriers to entry for competitors of The Clapham House Group are the identification and acquisition of suitable restaurant formats, recruitment and retention of suitably qualified staff and the offering of differentiated services. The Company may therefore face increased competition in its intended market place at any time.

### **4.3 Management and Staff**

The success of The Clapham House Group will be influenced by the recruitment of and retention of high calibre management and staff.

### **4.4 The Market**

It is possible that recessionary pressures may decrease the disposable income customers have available to spend on eating out and other leisure activities. This could lead to a reduction in the revenues of The Clapham House Group's outlets. There can be no guarantee that the Company's investment objectives will be achieved.

### **4.5 Requirement for Additional Capital**

The Company may be required to conduct further fundraising exercises in the future in order to develop its business and sustain cash resources.

### **4.6 EIS/VCT**

The Company has received provisional approval from the Inland Revenue confirming that its activities and the shares to be issued should qualify under the EIS and under the VCT legislation. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if given, such relief or status will not be withdrawn.

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

Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document during the three year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company under the EIS and VCT scheme. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed.

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

Investors should note that EIS certificates which will enable them to claim any applicable tax relief under the EIS legislation may only be applied for by the Company four months after its first acquisition has completed. The Company intends to supply certificates to those investors who have so specified that they wish to subscribe under the EIS as soon as possible after that period.

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

## PART V – ACCOUNTANTS’ REPORT ON THE COMPANY

The following is the full text of a report on The Clapham House Group PLC from Baker Tilly, the Reporting Accountants, to the Directors of The Clapham House Group PLC and Noble & Company Limited.



**BAKER TILLY**

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The Directors  
The Clapham House Group PLC  
12 Great James Street  
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WC1N 3DR

and

The Directors  
Noble & Company Limited  
76 George Street  
Edinburgh  
EH2 3BU

29 October 2003

Dear Sirs

### **THE CLAPHAM HOUSE GROUP PLC (“the Company”)**

#### **Introduction**

We report in connection with the proposed placing of ordinary shares of the Company (“the Placing”) and admission (“Admission”) of the ordinary share capital of the Company to trading on the Alternative Investment Market. This report has been prepared for inclusion in the Prospectus dated 29 October 2003 (“the Prospectus”).

The Company was incorporated on 1 October 2003, has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares and acquisition of five new subsidiaries described below and the execution of the material contracts referred to in paragraph 7 of Part VI of the Prospectus. Accordingly, no profit and loss account information is presented in this report.

#### **Basis of preparation**

The financial information set out below has been extracted from financial records of the Company for the period from incorporation to 29 October 2003, no adjustments being considered necessary. No audited financial statements have been prepared by the Company for submission to members in respect of any period since incorporation.

#### **Responsibility**

The financial records are the responsibility of the directors of the Company. The directors of the Company are also responsible for the contents of the Prospectus dated 29 October 2003 in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 29 October 2003.

## **BALANCE SHEET**

	Notes	As at 29 October 2003 £
<b>Fixed assets</b>		
Investments	2	5
<b>Current assets</b>		
Debtors		2
Cash in hand		12,500
		<hr/> 12,502
<b>Creditors: amounts falling due within one year</b>	3	<hr/> (5)
<b>Net current assets</b>		<hr/> 12,497
<b>Net assets</b>		<hr/> 12,502
<b>Capital and reserves</b>		
Called up share capital	4	<hr/> <hr/> 12,502

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

#### *Basis of accounting*

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

#### *Investments*

Long term investments are described as participating interests and are classified as fixed assets. Participating interests are stated at cost in the Company's balance sheet.

Provision is made for any impairment in the value of fixed asset investments.

### 2. Investment in subsidiary undertakings

	As at 29 October 2003 £
Cost	
Acquisition of CHG 1 Limited	1
Acquisition of CHG 2 Limited	1
Acquisition of CHG 3 Limited	1
Acquisition of CHG 4 Limited	1
Acquisition of CHG 5 Limited	1
	<hr/>
As at 29 October 2003	5
	<hr/> <hr/>

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
CHG 1 Limited	Ordinary	100%	Dormant
CHG 2 Limited	Ordinary	100%	Dormant
CHG 3 Limited	Ordinary	100%	Dormant
CHG 4 Limited	Ordinary	100%	Dormant
CHG 5 Limited	Ordinary	100%	Dormant

All the above subsidiaries were incorporated in England and Wales on 1 October 2003 and have not traded since incorporation. The entire issued share capital of each company was acquired for £1 on 1 October 2003.

### 3. Creditors: amounts falling due within one year

	As at 29 October 2003 £
Amount owed to subsidiary undertakings	5
	<hr/> <hr/>

#### 4. Share capital

	As at 29 October 2003 £
Authorised:	
Redeemable shares of £1 each	50,000
Ordinary shares of 10p each	2,500,000
	<hr/>
	2,550,000
	<hr/> <hr/>
Issued and called up:	
Redeemable shares of £1 each, 25p called up each	12,500
Ordinary shares of 10p each	2
	<hr/>
	12,502
	<hr/> <hr/>

The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued, nil paid.

On 24 October 2003 each of the issued and unissued ordinary shares of £1 each were subdivided into 10 shares of 10 pence each. On the same date, the authorised share capital of the Company was increased to £2,550,000 by the creation of 24,500,000 Ordinary Shares of 10 pence each and the creation of 50,000 redeemable shares of £1 each. On the same date, 50,000 redeemable shares of £1 each were issued at par one quarter paid up. The redeemable shares are redeemable within one year.

#### 5. Nature of financial information

The financial information presented above in respect of the period ended 29 October 2003 does not constitute statutory accounts for that period.

#### 6. Consent

We consent to the inclusion of this report in the Prospectus dated 29 October 2003 and accept responsibility for this report for the purposes of paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

*Baker Tilly*

Chartered Accountants  
Registered Auditor

## PART VI – STATUTORY AND GENERAL INFORMATION

### 1. Incorporation and Status of the Company

- 1.1 The Company was incorporated and registered in England and Wales on 1 October 2003 with the name The Clapham House Group PLC as a public limited company under the Act with registered number 4918500.
- 1.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 1.3 The Company was issued with a certificate pursuant to section 117 of the Act (allowing it to carry on business and to exercise its borrowing powers) on 27 October 2003.
- 1.4 The Company's principal activity is that of a general commercial company.
- 1.5 The liability of the members of the Company is limited.
- 1.6 The Company's registered office is located at 12 Great James Street, London WC1N 3DR.
- 1.7 The Company, which is the parent company of the Group, has the following subsidiary undertakings:

<i>Name of Company</i>	<i>Country of registration or incorporation</i>	<i>Types of shares held</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
CHG 1 Limited	England and Wales	one Ordinary Share of £1	100%	Dormant
CHG 2 Limited	England and Wales	one Ordinary Share of £1	100%	Dormant
CHG 3 Limited	England and Wales	one Ordinary Share of £1	100%	Dormant
CHG 4 Limited	England and Wales	one Ordinary Share of £1	100%	Dormant
CHG 5 Limited	England and Wales	one Ordinary Share of £1	100%	Dormant

### 2. Share capital of the Company

- 2.1 At the date of its incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1 each of which two ordinary shares of £1 each were in issue nil paid.
- 2.2 On 24 October 2003 by or pursuant to resolutions of the shareholders of the Company:
  - 2.2.1 each existing Ordinary Share of £1 in the authorised and issued share capital of the Company was subdivided into ten Ordinary Shares of £0.10 each;
  - 2.2.2 the authorised share capital of the Company was increased from £50,000 to £2,550,000 by the creation of 24,500,000 Ordinary Shares of £0.10 each and the creation of 50,000 redeemable shares of £1 each ("Redeemable Shares"); and
  - 2.2.3 new Articles of Association of the Company were adopted;
  - 2.2.4 the Directors were authorised to allot relevant securities pursuant to section 80 of the Act up to the amount of the authorised but unissued share capital for the period until the annual general meeting of the Company in 2008 or five years after the date of passing of the resolution (whichever is the earlier) unless previously revoked or varied by the Company in general meeting; and
  - 2.2.5 the Directors were empowered for a period of 24 months after the passing of the resolution or the conclusion of the annual general meeting of the Company in 2004, whichever is earlier, to allot equity securities for cash pursuant to the authority referred to in 2.2.4 above as if section 89(1) of the Act did not apply to such allotment provided that the power was limited to:
    - 2.2.5.1 the allotment of Ordinary Shares pursuant to the Placing; or
    - 2.2.5.2 the allotment of securities by way of rights issue or otherwise generally available to all shareholders of the Company in proportion to their holdings of shares;
    - 2.2.5.3 (otherwise than pursuant to 2.2.5.1 and 2.2.5.2 above) the allotment of equity securities for cash up to an aggregate nominal amount of £1,024,998 being equivalent to approximately 41 per cent of the Company's issued ordinary share capital as enlarged by the Placing; or
    - 2.2.5.4 authority to make awards under the Share Schemes.

- 2.3 On 28 October 2003, 50,000 Redeemable Shares were issued of which 12,500 Redeemable Shares were issued to each of David Page, Paul Campbell and Nicholas Donaldson.
- 2.4 The Company does not have in issue any securities not representing share capital and on Admission there will not be any outstanding convertible securities of the Company in issue.
- 2.5 The Ordinary Shares in issue at the date of this document are in registered form. The Ordinary Shares issued on Admission will be represented by definitive certificates and will be freely transferable in registered form. It is expected that definitive certificates will be despatched by 15 November 2003.
- 2.6 The Clapham House Group intends to establish before Admission an Enterprise Management Incentive Share Option Plan (“the Plan”) in order to allow selected employees to share in the success of the Group and promote motivation and retention. The Plan will offer the opportunity of providing highly tax efficient share options.

The Company also intends to introduce before Admission an Unapproved Share Option Plan (“the Unapproved Plan”) for those individuals not eligible to participate under the Plan.

The proposed terms of the Plan are set out in summary below and the Unapproved Plan is identical except where indicated:

#### **Grants of Options**

Options may be granted to eligible employees at the discretion of the Board. Options may only be granted during the period of 42 days following any of the following:

- (i) the date of adoption of the plans by the Company;
- (ii) the day following the announcement of yearly, half yearly or other period financial results of the Company;
- (iii) any increase in the issued share capital of the Company; or
- (iv) such other date when the directors are satisfied that exceptional circumstances justify the grant of an option.

#### **Eligibility**

All full-time employees and Directors shall be eligible to participate in the Plan provided they do not have a material interest in the Company. Individuals will have a material interest if they, individually or together with their associates own 30 per cent or more of the share capital.

Any employee or Director of the Company shall be eligible to participate in the Unapproved Plan.

#### **Performance Criteria**

The Board may impose performance conditions which will have to be satisfied before options may be exercised. The Board do not propose to impose any performance criteria on options granted to the Management Team.

#### **Exercise of Options**

Options shall generally be exercisable after a period of between three years or more and up to ten years from the date of grant. In the case of a takeover or statutory reconstruction the option holder shall be able to exercise options within a period of forty days of the date when the takeover or reconstruction is completed.

Option holders may also be able to exchange their options under the Plan for options over the shares of the company making any takeover.

#### **Employees leaving the Company**

If an option holder, other than one of the Management Team, ceases to hold office or employment with any company in the group for whatever reason prior to the date of exercise all options will normally lapse save that the Board shall have the discretion to permit individuals to retain their options on leaving.

### **Restricted Share Plan**

The Company intends to implement a plan before Admission (“the Restricted Share Plan”) under which shares will be awarded to selected employees, subject to restrictions. This will include a provision that the shares will be forfeited if certain circumstances arise within three years of the award, including the employee leaving the employment as a “bad leaver” (for example, resigning, being dismissed for misconduct, etc).

These shares will be awarded subject to a condition that the recipient will sign an election to ignore all of the restrictions for income tax purposes, under s.431(1) Income Tax (Earnings & Pensions) Act 2003. These shares will be included in the 15 per cent limit referred to under Total of Shares Available below.

### **Performance Criteria**

The Board may impose performance conditions which will have to be satisfied before the shares cease to be forfeitable. The Board does not currently propose to impose any performance criteria on shares awarded to the Management Team.

### **Variation of Share Capital**

In the event of a variation of share capital the directors may adjust the number of shares under option and the exercise price, and the shares awarded under the Restricted Share Plan, to reflect such variation. This adjustment shall be subject to confirmation by the Auditors that such adjustment is fair and reasonable. Such adjustment may need to be agreed in advance by the Inland Revenue.

No such Inland Revenue agreement will be required under the Unapproved Plan or the Restricted Share Plan.

### **Alteration of Plans**

The directors may at any time alter or amend the provision of the Share Schemes but, in general, no alteration shall be made without the prior approval by ordinary resolution of the members of the Company in general meeting.

Any such alteration will not need to be so approved where the amendments are minor, to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax treatment.

### **Pensions**

Benefits under the Share Schemes will not be pensionable.

### **Grantor of Options and Awardee of Shares**

The Board may decide to operate either the Plan or the Unapproved Plan or the Restricted Share Plan by way of subscription options and Shares. As an alternative an employee benefit trust may be formed and the trustees requested to grant options over Shares or award restricted Shares held or to be purchased by the trustees. In this event the trustees will not be permitted to acquire more than 15 per cent of the issued share capital of the Company on a fully diluted basis for use in the Share Schemes. As a further alternative, the Company may hold Shares in treasury for use in the Share Schemes again subject to the 15 per cent limit referred to above.

### **Exercise Price**

Options under the Plan must have an exercise price no lower than the market value of a Share. Options under the Unapproved Plan will have an exercise price no lower than the market value of a Share, unless, in exceptional circumstances, the Remuneration Committee decides otherwise.

### **Limit of Participation**

A participant may not hold options under the Plan over Shares with a market value in excess of £100,000 as at the date of grant.

There is no limit on the value of Shares under option which may be held by any one individual under the Unapproved Plan.

### **Total Number of Shares Available**

In the ten year period from the date of adoption of the Plan no more than 15 per cent of the ordinary issued share capital of the Company from time to time (on a fully diluted basis) may be allocated under the Share Schemes.

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

- 3.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association, which is one of the documents referred to in paragraph 15 below as being available for inspection.
- 3.2 The Articles of Association of the Company (“the Articles”) which were adopted on 24 October 2003 include provisions to the following effect:

### **3.2.1 Voting Rights**

Subject to any terms as to voting under which any shares may be issued, or may for the time being be held, every member present in person shall have one vote on a show of hands and, on a poll, every member shall have one vote for every Ordinary Share of which he is the holder. The duly authorised representative of a corporate member may exercise the same powers on behalf of that corporation as it could exercise if it were an individual member. A member is not entitled to vote unless all calls due from him have been paid. A member is not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 212 of the Act and, having failed to supply the Company with the information which he knows to be, or having recklessly given information which is, false in any material particular, within the period specified in such notice (being not less than 14 days or 28 days, depending on the size of his shareholding, from the date of service of such notice) is served with a disenfranchisement notice. Such disenfranchisement notice will apply only for so long as the notice from the Company has not been complied with. The Redeemable Shares do not carry any right to attend and vote at general meetings of the Company.

### **3.2.2 Dividends**

Subject to the Act, the Companies Act 1989 and every other statute for the time being in force concerning companies and affecting the Company (“the Statutes”), the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Subject to the Statutes, the Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Redeemable Shares do not carry any right to receive dividends

### **3.2.3 Distribution of Assets on a Winding-Up**

On a winding-up any surplus assets will be divided between the holders of the Ordinary Shares according to the respective number of shares held by them, subject to the rights of any shares which may be issued with special rights or privileges. The liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the Insolvency Act 1986, divide amongst the members of the Company *in specie* the whole or any part of the assets of the Company, and

vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine but no member shall be compelled to accept any assets on which there is a liability.

The Redeemable Shares do not carry the right to a distribution of assets on a winding-up.

#### **3.2.4 Transfer of Shares**

The Ordinary Shares and the Redeemable Shares are in registered form. Any member may transfer all or any of his shares by an instrument of transfer in the usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The transferor shall be deemed to remain the holder until the name of the transferee is entered in the register. There is no restriction on the registration of a transfer of a fully paid share provided the transfer (i) is duly stamped and lodged at the registered office, accompanied by the relevant share certificate and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require, (ii) is in respect of only one class of share and (iii) is in favour of not more than four transferees. If any of the above conditions is not complied with, the Board has a discretion whether or not to register the transfer in question. The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any transfer of shares, all or any of which are not fully paid or on which the Company has a lien, provided that such discretion may not be exercised in such a way as to prevent dealings in the Ordinary Shares or the Redeemable Shares from taking place on an open and proper basis.

#### **3.2.5 Variation of Rights**

Subject to the Statutes, all or any of the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him. Except as mentioned above, such rights may not be varied. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

#### **3.2.6 Share Capital and Changes in Capital**

3.2.6.1 Subject to the Statutes, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company may from time to time determine by ordinary resolution. Subject to the provisions of the Articles and the Statutes, the power of the Company to allot and issue shares shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board may determine.

3.2.6.2 The Company may by ordinary resolution increase its share capital, consolidate its share capital into shares of a larger amount and (subject to the provisions of the Statutes) sub-divide its shares or any of them into shares of a smaller amount than is fixed by its Memorandum of Association (and so that the resolution may determine that, as between the holders of shares resulting from the sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others), cancel any shares which, at the date of the passing of the resolution, have not been subscribed for or agreed to be subscribed for, by any person and diminish the amount of its authorised share capital by the amount of the shares to be cancelled.

- 3.2.6.3 Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.
- 3.2.6.4 Subject to the Statutes, the Company may purchase all or any of its own shares of any class (including any redeemable shares) and such shares do not have to be purchased rateably.
- 3.2.6.5 The Company may issue Shares (“Restricted Shares”) subject to such restrictions (including restrictions as to voting, rights to dividend and return of assets on a winding up) and to such provisions relating to forfeiture as the Remuneration Committee of the Board may specify in respect of any allottee of Restricted Shares and any such restrictions or provisions shall be binding on the holders of such Restricted Shares as if set out in the Articles.

### 3.2.7 Share Warrants

- 3.2.7.1 The Company may, with respect to any fully paid shares, issue a share warrant stating that the bearer of the warrant is entitled to the shares specified in it and may provide (by coupons or otherwise) for the payment of future dividends or other monies on the shares included in a share warrant.
- 3.2.7.2 The power to issue share warrants may be exercised by the Board, which may determine and vary the conditions on which share warrants shall be issued. Subject to such conditions and to the Articles, the bearer of a share warrant shall be deemed to be a member for all purposes. The bearer of a share warrant shall be subject to the conditions for the time being in force applicable thereto, whether made before or after the issue of such share warrant.

### 3.2.8 Directors

- 3.2.8.1 Save as mentioned below, a Director shall not vote at a meeting of the Board or of a committee of the Board on any resolution concerning a matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or in or otherwise through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- 3.2.8.2 A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of either any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

- (v) any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to the employees and which does not accord to any Director any privilege or benefit not generally awarded to the employees to which such arrangement relates; and
- (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of its Directors or for persons who include Directors of the Company provided that for this purpose “insurance” means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors.

- 3.2.8.3 The Directors shall be paid such remuneration (by way of fee) for their services as may be determined by the Board. The Directors shall also be entitled to be repaid by the Company all travel, hotel and other expenses of travelling to and from Board meetings, committee meetings, general and other meetings or otherwise reasonably incurred while engaged on the business of the Company or in the discharge of his duties as a Director. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Board may determine.
- 3.2.8.4 The Board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.
- 3.2.8.5 Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office and they shall not be liable for any loss, damage or misfortune which may be incurred by the Company in or from the execution of those duties.
- 3.2.8.6 At each annual general meeting as nearly as possible (but not exceeding) one third of those Directors who are subject to retirement by rotation shall retire but shall be eligible for re-election. A Director holding executive office in the Company shall not, while holding that office, be subject to retirement by rotation or be taken into account in deciding the number of Directors to retire by rotation on any particular occasion. The Directors to retire will be those who have been longest in office or, in the case of those who became or were re-elected Directors on the same day, will, unless they agree otherwise, be determined by lot. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election, but is not taken into account in determining the number of Directors to retire by rotation at that meeting.
- 3.2.8.7 There is no age limit for Directors and section 293 of the Act does not apply to the Company.
- 3.2.8.8 Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

### 3.2.9 **Borrowing Powers**

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

### 3.2.10 CREST

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

## 4. Directors' and other Interests

4.1 Immediately following Admission the interests of the Directors and the persons connected (within the meaning of section 346 of the Act) with them (all of which are beneficial save where otherwise stated) in the share capital of the Company which are required to be shown in the register maintained under section 325 of the Act or which are required to be notified by a Director (or, in the case of such a connected person, would be required to be notified by that person had he or she been a Director) to the Company pursuant to sections 324 or 328 of the Act (including Restricted Shares referred to below) are as follows:

	Number of Ordinary Shares prior to the Placing	Percentage of the issued ordinary share capital prior to the Placing	Number of Ordinary Shares following the Placing	Percentage of issued ordinary share capital following the Placing	Number of Redeemable Shares prior to the Placing	Percentage of the issued Redeemable Shares prior to the Placing
David Page	10	50%	1,150,010	7.6 per cent	12,500	25 per cent
Paul Campbell	10	50%	250,010	1.7 per cent	12,500	25 per cent
Nicholas Donaldson	–	–	100,000	0.7 per cent	12,500	25 per cent

Assuming maximum subscription under the Placing before Admission, David Page and Paul Campbell will each be allotted 150,000 Ordinary Shares under the Restricted Share Plan at par nil paid, will each be granted an option to subscribe for 100,000 Ordinary Shares under the Plan at £1 per Ordinary Share, and will each be granted options to subscribe for 617,647 Ordinary Shares at £1 per Ordinary Share under the Unapproved Plan. Including these options David Page will have an interest in Ordinary shares representing 11.3 per cent of the fully diluted share capital and Paul Campbell will have an interest in 5.9 per cent of the fully diluted share capital. If the Placing raises less than the maximum amount then the number of options granted under the Unapproved Plan (and if necessary the Restricted Share Plan) will be scaled back so that each of them has an interest under the Share Schemes in a number of Ordinary Shares equal to 5 per cent of the fully diluted share capital of the Company. If the Placing raises less than the maximum amount therefore the directors' interests will be reduced accordingly.

### Notes:

- 4.2 It is the intention that further rights under the Shares Schemes will be granted to each of David Page and Paul Campbell in the event of an increase in the share capital of the Company to the extent necessary to maintain the interest of each of them in such number of Ordinary Shares under the Share Schemes as is equal to 5 per cent of the fully diluted share capital of the Company.
- 4.3 Save as disclosed in paragraph 4.1 above, the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Company's share capital which, immediately after Admission, would amount to 3 per cent or more of the Company's issued ordinary share capital.
- 4.4 Save as set out in paragraph 4.1 above none of the Directors or their connected parties has any interest in the share capital of the Company and the Company is not aware of any persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 4.5 There are no outstanding loans granted or guarantees provided by any member of the Company to or for the benefit of any of the Directors.
- 4.6 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by any member of the Company during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

## **5. Directors' Service Agreements**

- 5.1 For the financial period ending 31 March 2005, under the current arrangements in force at the date of this document, it is estimated that the aggregate remuneration and benefits in kind granted to the Directors will be approximately £600,000.
- 5.2 Mr Page entered into a service agreement with the Company on 28 October 2003 as Chairman (which agreement will only become effective immediately after the allotment and issue of the Ordinary Shares referred to in this document). He is entitled to a salary of £75,000 per annum. The salary will be increased appropriately as each business acquisition is achieved. The agreement can be terminated by either party on twelve months' notice. Mr Page is also entitled to the following benefits: (i) performance related bonus; (ii) payment of medical insurance premiums; (iii) term life cover and death-in-service benefit; and (iv) permanent health insurance cover and/or permanent disablement cover. Mr Page will be paid a bonus of £90,000 at any time after the first anniversary of Admission, if the Company has acquired or established three restaurant concepts within the criteria of the Company's strategy. The timing of any such bonus will be determined by the Remuneration Committee or relevant non-executive Director and may include a payment, after the first anniversary of Admission, of £30,000 per restaurant concept but subject to a maximum of £90,000 in any event.
- 5.3 Mr Campbell entered into a service agreement with the Company on 28 October 2003 as Chief Executive (which agreement will only become effective immediately after the allotment and issue of the Ordinary Shares referred to in this document). He is entitled to a salary of £75,000 per annum. The salary will be increased appropriately as each business acquisition is achieved. The agreement can be terminated by either party on twelve months' notice. Mr Campbell is also entitled to the following benefits: (i) performance related bonus; (ii) payment of medical insurance premiums; (iii) term life cover and death-in-service benefit; and (iv) permanent health insurance cover and/or permanent disablement cover. Mr Campbell will be paid a bonus of £90,000 at any time after the first anniversary of Admission, if the Company has acquired or established three restaurant concepts within the criteria of the Company's strategy. The timing of any such bonus will be determined by the Remuneration Committee or relevant non-executive Director and may include a payment, after the first anniversary of Admission, of £30,000 per restaurant concept but subject to a maximum of £90,000 in any event.
- 5.4 Mr Donaldson entered into an agreement with the Company on 28 October 2003 whereby Mr Donaldson agreed to act as a non-executive Director for an annual fee of £10,000 plus VAT (if any) (which agreement will only become effective immediately after the allotment and issue of the Ordinary Shares referred to in this document). The agreement can be terminated by either party on three months' notice.

## 6. Additional Information on the Board

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

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
David Page	Best Hatts Limited Hillstock plc Crestgale Limited Boxlane Limited Olive Finance Limited Anchovies Finance Limited Anchovies Finance 2 Limited	PizzaExpress (Holdings) Limited PizzaExpress Limited PizzaExpress Merchandising Limited PizzaExpress (Wholesale) Limited PizzaExpress (Restaurants) Limited PizzaExpress (Franchises) Limited PizzaExpress (Soho) Limited PizzaExpress (Camberley) Limited Pasta Holdings Limited Pasta di Milano Limited Birritalia Limited New Hampshire Investments Limited 29 St John's Hill Management Limited BLP Limited Godfrey & Father (Wimbledon) Limited Godfrey & Father (Wandsworth) Limited Godfrey & Father (Kingston) Limited Godfrey & Father (Croydon) Limited Godfrey & Father (Bromley) Limited Godfrey & Father (Bristol) Limited Godfrey & Father (Brighton) Limited Godfrey & Father (Beckenham) Limited Godfrey & Father (Bath) Limited G. & F. (Canterbury) Limited Citygate Restaurants (Basingstoke) Limited Agenbite Limited G. & F. Holdings Limited <i>(In Liquidation)</i>
Paul Campbell	Olive Finance Limited Anchovies Finance Limited Anchovies Finance 2 Limited Campbell Corporation Limited Hillstock plc	Bar Meze plc Cafe Pasta Limited PizzaExpress Limited PizzaExpress (Franchises) Limited PizzaExpress Merchandising Limited PizzaExpress (Restaurants) Limited PizzaExpress (Wholesale) Limited Circa Catering Limited Circa Leisure plc Circa Strategies Limited Leisure Connection Limited Leisure Connection (CG) Limited Relaxion Limited Relaxion FM Limited Relaxion Kingfisher Limited Relaxion Leisure Limited Relaxion Splash Limited Relaxion (South Oxfordshire) Limited Bookcash Trading Limited Harpers Fitness Clubs plc St. Albans Leisure Limited Kunick Limited September 1993 plc Reltek Engineering Limited Pinco 1151 Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Nicholas Donaldson	Games Workshop Group plc Games Workshop Trustee Limited St Mary's Grove Limited	Arbuthnot Securities Limited Old Mutual Holdings Limited Robert W. Baird Limited

6.2 Save as stated above or in paragraphs 6.3 and 6.4 below, no Director:

- 6.2.1 has been a partner in a partnership at any time during the five years preceding the date of this document; or
- 6.2.2 has any unspent convictions; or
- 6.2.3 has become bankrupt or entered into any voluntary arrangement with his creditors or had any asset which has been subject to a receivership; or
- 6.2.4 has been a director of any company or partner in any firm which, at that time or within 12 months after ceasing to be a director or a partner (as the case may be), had a receiver appointed or went into compulsory liquidation or creditors voluntary liquidation or went into administration, or entered into a company or partnership voluntary arrangement or made any composition or arrangement with its creditors; or
- 6.2.5 has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a Court from acting as a director or acting in the management or conduct of the affairs of any company.

6.3 G. & F. Holdings Limited

G. & F. Holdings Limited was put into a members voluntary liquidation on 15 February 1993. David Page was a director of G. & F. Holdings Limited on that date.

6.4 3D Developments Limited

3D Developments Limited was put into a creditors' voluntary liquidation on 20 December 1993. Nicholas Donaldson was a director of 3D Developments Limited within one year of that date.

## **7. Material Contracts**

The Company has not entered into any contracts other than in the normal course of business within the two years immediately preceding the date of this document which are or may be material other than those referred to in paragraphs 5 and 8 of this Part VI of this document.

## **8. Placing Arrangements**

8.1 Placing Agreement

On 29 October 2003, the Company (1), the directors of the Company (2) and Nobles (3) entered into a placing agreement (the "Placing Agreement") pursuant to which Nobles has agreed conditionally, *inter alia*, upon Admission (expected to be 10 November 2003, or such later date as the Company and Nobles may agree, being in any event not later than 3 pm on 31 December 2003) to use its reasonable endeavours to procure Placees (as defined therein) to subscribe for the Ordinary Shares at the Placing Price. The Placing Agreement contains certain warranties and indemnities by the Company and the Directors in favour of Nobles.

Under the Placing Agreement, which is subject to satisfaction of certain conditions, the Company has agreed to pay Nobles a corporate finance fee of £350,000 (exclusive of VAT) payable on Admission.

8.2 Nominated Adviser and Nominated Broker Agreement

On 28 October 2003, the Company (1) and Nobles (2) entered into an agreement (the "Nominated Adviser and Nominated Broker Agreement") whereby Nobles has agreed to act as Nominated Adviser and Nominated Broker to the Company, under the AIM Rules, in relation to Admission. Nobles has further undertaken to provide its services as Nominated Adviser and Nominated Broker to the Company on a continuing basis following Admission in return for an annual fee of £15,000 in the first

year rising to £30,000 in any subsequent year (plus VAT where applicable). The Nominated Adviser and Nominated Broker Agreement contains certain indemnities by the Company in favour of Nobles. The appointment is for an initial period of 12 months but this period may be continued by mutual agreement in writing between Nobles and the Company.

## **9. Property**

The Company currently has no premises.

## **10. Litigation**

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

## **11. Working Capital**

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

## **12. Share Schemes**

Full details of the Share Schemes are set out in paragraph 2.6 of Part VI of this document.

## **13. Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and UK Inland Revenue practice. The position for employees subscribing for shares under this offer has not been addressed. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

### **Taxation of Chargeable Gains**

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

If a shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on their circumstances, arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

### **Inheritance Tax – Business Property Relief (“BPR”)**

Unquoted ordinary shares in trading companies potentially qualify for 100 per cent BPR which gives up to 100 per cent exemption from Inheritance Tax. Where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax should be payable in respect of the value of the shares, provided the relevant conditions are met. In the case of the Company, any such relief may be unavailable to shareholders if the Company carries on certain excluded activities including the making or holding of investments. BPR is restricted to the extent that the value of any of a company's business includes excepted assets.

## **Stamp Duty and Stamp Duty Reserve Tax**

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares.

## **Dividends and other Distributions**

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent) or the Schedule F upper rate (32.5 per cent).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent of the aggregate of the dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on such a dividend at the Schedule F trust rate, currently 25 per cent, subject to the tax credit on the dividend referred to above. This credit is not available for the purposes of computing any additional tax which the trustees may have to pay on making distributions to beneficiaries out of income which includes such a dividend.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

## **EIS Tax Relief**

The following information provides an outline only of the EIS. It is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

The tax legislation in respect of the EIS income tax and EIS deferral relief is found in sections 289 – 312 ICTA 1988 and schedule 5B TCGA 1992. The following is a summary of the more common conditions and should not be construed as comprehensive.

### ***EIS Relief***

Income tax relief, CGT deferral relief, CGT exemption relief and loss relief may all be available to investors under the EIS legislation. EIS Relief can be claimed only by a “qualifying investor” (see below) who subscribes for new “eligible shares” (see below) issued by a “qualifying company” (see below).

#### **(i) Income tax relief**

Individuals who qualify may deduct an amount that is equal to tax at the lower rate of income tax on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued. EIS Relief is obtained at a rate of up to 20 per cent. The maximum investment is £150,000 per tax year. Spouses are entitled to a maximum of £150,000 each. The minimum amount subscribed must be at least £500.

For income tax purposes (but not CGT deferral, see below), the individual does not need to be a UK resident. However, income tax relief is only available where an investor has a UK income tax liability. The amount of income tax relief cannot exceed an individual’s tax liability before other reliefs given by way of discharge of tax. Relief is normally given in the tax year in which the individual invests.

(ii) CGT exemption

To the extent that EIS income tax relief is given and not withdrawn, any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue (or, if later, three or more years after the anniversary of the date trading commences) is not chargeable to CGT. The exemption does not extend to any gain deferred by CGT deferral (see above).

(iii) Loss relief

Where an investor incurs a loss on the first disposal of their shares, the loss calculated after deducting EIS income tax relief from the base cost usually may be set against either chargeable gains or taxable income at the election of the investor.

***“Qualifying Investor” for EIS Income Tax Relief***

An individual must not be, nor have been within the previous two years prior to the date of issue of the shares, connected with the Company, or become connected with it within the next three years (or, if later, within the three years following the date of commencement of trading), if they are to retain the tax reliefs. The main rules relating to connection are that:

- (i) neither the individual nor their associates may be an employee, partner or paid director of the Company (subject to (iii) below) or its subsidiaries. An unpaid director is not disqualified if they are reimbursed travelling or subsistence expenses which would otherwise be allowable for taxation;
- (ii) neither the individual nor their associates may control the Company or possess more than 30 per cent of the issued ordinary share or loan capital or voting powers in the Company or rights carrying entitlements to 30 per cent of the assets available for distribution to equity holders; and
- (iii) an individual may become a paid director of the Company provided at the time they subscribe for eligible shares they were not, and had not previously been, otherwise connected with the Company nor with the trade carried on by the Company by reference to (i) or (ii) above. Any remuneration paid to a director must be reasonable.

There is also various anti-avoidance legislation, in particular the value received rules. Under these, EIS income tax relief may be reduced or withdrawn where the investor receives any value from the Company. Relief of the investor may also be withdrawn where other shareholders of the Company are repaid capital or receive value from the Company.

***Qualifying Company***

For a period of three years following the issue of the shares (or, if later, three years following the date of commencement of the trade), the Company must only:

- (i) carry on a qualifying trade; and/or
- (ii) be the parent company of a group which exists wholly, or substantially wholly for the purposes of carrying on qualifying trades; and
- (iii) not be disqualified by anti-avoidance rules.

At least 80 per cent of the money raised by the issue of qualifying shares must be employed wholly for the purpose of a qualifying business activity within 12 months of the date of the issue of the shares or, if later, the commencement of trade and the balance within 24 months of the date of issue (or commencement of trade, if later).

To be qualifying, the shares of the company must not be quoted on a recognised Stock Exchange at the time the eligible shares are issued and no arrangements must exist at that time for the company to become quoted.

***Eligible Shares***

Eligible EIS shares are new ordinary shares which, throughout the period of 3 years beginning with the date on which they are issued or, if later, the date of commencement of the trade, carry no present or future preferential right to dividends or to the Company’s assets on its winding up and carry no present or future right to be redeemed.

### ***Provisional Approval***

The Company has [received] from the Inland Revenue provisional approval that the Company will be carrying on a qualifying trade and that the shares to be issued will be “eligible shares”. Provisional approval, once given, is indicative but is not binding on the Inland Revenue. The position could also be affected by acts or omissions of the Company during the 3 year period from the issue of the shares (or, if later, the date of commencement of the trade). Formal approval and the EIS certificates cannot be sought until four months after the Company has commenced to trade i.e. after completion of its first acquisition.

### ***Claims***

Investors claim income tax relief by submitting a tax relief certificate (Form EIS 3) issued to them by the Company to the Inspector of Taxes dealing with their own tax affairs. The claims for relief must be made no later than 5 years after 31 January following the end of the tax year in which the shares are issued.

### ***Carry Back of Relief***

For shares subscribed on or after 6 April and before 6 October, up to one half of the investment (up to £25,000) may be effectively carried back to the previous tax year if the relevant claim is made.

### ***Withdrawal of EIS Relief***

If the conditions for EIS Relief relating to a company cease to be satisfied during the period of three years from the issue of the shares (or, if later, three years from the date of commencement of trade), the relief will be withdrawn. EIS Relief will also be wholly or partly withdrawn if, for example, the claimant receives significant value from the Company (other than dividends) or disposes of the shares within three years of the date of issue (or, if later, within three years of the date of commencement of the trade). EIS Relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

### ***CGT deferral***

CGT deferral enables investors to defer capital gains by reinvesting in qualifying investments. Provided a capital gain realised on any asset is reinvested in new “eligible shares” of a “qualifying company” within 3 years of the disposal giving rise to the gain or not more than 1 year prior to a disposal giving rise to a gain, assessment to tax on the gain arising may be deferred until the qualifying investment is sold or (if within 3 years from subscription, or commencement of trade, if later) otherwise ceases to qualify. At this point, the deferred gain would come back into charge, without the benefit of any additional taper relief.

The legislation, conditions and anti-avoidance rules for deferral relief are broadly similar to those for EIS income tax relief outlined above, but there are differences.

## **14. General**

- 14.1 There has been no significant change in the trading or financial position of the Company since 1 October 2003, being the date on which the Company was incorporated.
- 14.2 Nobles has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- 14.3 The auditors of the Company are Baker Tilly, 2 Bloomsbury Street, London WC1B 3ST.
- 14.4 Baker Tilly have given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their report in this document and they accept responsibility for their report for the purposes of the POS Regulations.
- 14.5 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any Recognised Investment Exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.

- 14.6 Save as disclosed in this document, there are no persons (excluding professional advisers and trade suppliers) who have received directly or indirectly from the Company in the 12 months preceding the date of this document or have entered into contractual arrangements to receive fees, securities in the Company or any other benefit to a value of £10,000 or more.
- 14.7 The Company's Nominated Adviser and Nominated Broker is Noble & Company Limited, whose principal place of business is 76 George Street, Edinburgh EH2 3BU.
- 14.8 The accounting reference date of the Company is 31 March.
- 14.9 The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Part IV of Schedule 1 of the POS Regulations is £3.5 million, made up as follows:
- 14.9.1 the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Placing – £nil;
  - 14.9.2 any preliminary expenses payable by the Company and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any Ordinary Shares – approximately £455,000 (excluding VAT);
  - 14.9.3 the repayment of any money by the Company in respect of any of the matters referred to in 14.9.1 or 14.9.2 above – £nil; and
  - 14.9.4 working capital – approximately £3,000,000.
- 14.10 The amount to be provided in respect of each of the matters mentioned in paragraph 14.9 above otherwise than out of the proceeds of the Placing is £nil.
- 14.11 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 14.12 The Placing Price represents a premium of 90p over the nominal value of 10p per Ordinary Share.
- 14.13 The financial information relating to the Company set out in Part V of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.
- 14.14 The gross proceeds of the Placing are expected to be £14.75 million. The total costs and expenses in relating to Admission and the Placing are payable by the Company and (assuming subscription in full) are estimated to amount to approximately £455,000, excluding value added tax.
- 14.15 It is expected that definitive share certificates will be despatched by first class post on 15 November 2003. No temporary documents of title will be issued.
- 14.16 There have been no interruptions and there have been no significant changes to the business of the Company which have or have had a significant effect on the financial position of the Company since incorporation and there are no significant investments in progress by any member of the Group.
- 14.17 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by Nobles until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 31 December 2003 application monies will be returned to applicants as soon as practicable at their own risk and without interest.

## **15. Documents available for inspection**

- 15.1 Copies of the following documents will be made available for inspection at the offices of Marriott Harrison, 12 Great James Street, London WC1N 3DR, during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days from the date of this document:
- (a) the Memorandum of Association of the Company and Articles;
  - (b) the financial information on the Company reproduced in Part V of this document;
  - (c) the service agreements and letter of appointment referred to in paragraph 5 of Part VI of this document;
  - (d) the material contracts referred to in paragraph 7 above; and
  - (e) the written consents referred to in paragraph 14 above.
- 15.2 Copies of this document will be available free of charge at the offices of Noble & Company Limited, 1 Frederick's Place, London EC2R 8AB during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling 14 days following the date of Admission.

Dated 29 October 2003

## PART VII – DEFINITIONS AND GLOSSARY

### Definitions

“Act”	the Companies Act 1985, as amended;
“Admission”	Admission of the Ordinary Shares to trading on AIM becoming effective as provided in Rule 6 of the AIM Rules;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“AIM Rules”	the rules of AIM published by the London Stock Exchange;
“Articles”	the articles of association of the Company adopted on 1 October 2003;
“Board” or “Directors”	the directors of the Company;
“Company” or “The Clapham House Group”	The Clapham House Group PLC, registered number 4918500, and having its registered office at 12 Great James Street, London WC1N 3DR;
“Combined Code”	the Combined Code and the Principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance;
“Completion”	Completion of the allotment and issue of the Ordinary Shares pursuant to the Placing;
“CREST”	the computer based system established under the Uncertificated Securities Regulations which enables title to units of relevant securities (as defined in the Uncertificated Securities Regulations) to be evidenced and transferred without a written instrument and in respect of which CRESTCo Limited is the Operator (as defined in the Uncertificated Securities Regulations);
“EIS”	the Enterprise Investment Scheme and related reliefs as detailed in Chapter III, Part VII of the Income and Corporation Taxes Act 1988 and in sections 150A to 150C and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended);
“FSMA”	Financial Services and Markets Act 2000;
“Group”	the Company and its subsidiaries and any associated companies;
“London Stock Exchange”	London Stock Exchange plc;
“Management Team”	David Page and Paul Campbell;
“Nobles”	Noble & Company Limited;
“Ordinary Shares” or “Shares”	ordinary shares of 10 pence each in the capital of the Company;
“Placing”	the placing of Ordinary Shares details of which are set out in this document;
“Placing Price”	100 pence per Ordinary Share;
“Plan”	has the meaning given in paragraph 2.6 of Part VI of this document;
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended;
“Recognised Investment Exchange”	has the meaning ascribed thereto in section 285 of the Financial Services and Markets Act 2000;
“Redeemable Shares”	has the meaning given in paragraph 2.2.2 of Part VI of this document;

“Restricted Share Plan”	has the meaning given in paragraph 2.6 of Part VI of this document;
“Share Schemes”	means the Plan, the Unapproved Plan and the Restricted Share Plan;
“Unapproved Plan”	has the meaning given in paragraph 2.6 of Part VI of this document;
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modification thereof or any regulations in substitution therefore made under section 207 of the Companies Act 1989 and for the time being in force;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“VCT”	means a venture capital trust for the purposes of section 842AA and Schedule 28B of the Income and Corporation Taxes Act 1988.

