

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. The whole of the text of this document should be read. If you are in any doubt about the contents of this document or what action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (if in the UK) or the Investment Intermediaries Act 1995 (if in the Republic of Ireland) who specialises in advising on the acquisition of shares and other securities.

Application has been made for the Ordinary Shares, both issued and to be issued pursuant to the Placing, to be admitted to trading on AIM, a market operated by the London Stock Exchange ("AIM"). The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange. It is expected that Admission will become effective and that dealings in the issued ordinary share capital of the Company will commence on 27 March 2006.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Further it is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List of the United Kingdom Listing Authority. Neither the London Stock Exchange nor the UK Listing Authority has itself examined or approved the contents of this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a higher than normal degree of risk. The attention of prospective investors is drawn in particular to the section entitled "Risk Factors" set out in Part 4 of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

The Directors, whose names appear on page 3 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. In connection with this document and/or the invitation contained in it, no person is authorised to give any information or make any representation other than as contained in this document and if given or made, such information or representations may not be relied upon as having been so authorised. The delivery of this document or any subscriptions made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

---

# O Twelve Estates Limited

(A closed-ended investment company incorporated with limited liability in Guernsey and registered with number 44444)

## Placing of 122,500,000 new ordinary shares of 1p each at 100p per share Admission to trading on AIM

### Nominated Adviser and Broker Collins Stewart Limited

---

#### SHARE CAPITAL (immediately following the Placing)

| Authorised |             |                            | Issued and fully paid |             |
|------------|-------------|----------------------------|-----------------------|-------------|
| Amount     | Number      |                            | Amount                | Number      |
| £2,000,000 | 200,000,000 | ordinary shares of 1p each | £1,225,002            | 122,500,002 |

---

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 as amended was obtained on 22 March 2006 for the Company to raise up to £150 million by the issue of the New Ordinary Shares and for the circulation of this document. In giving its consent, neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accepts any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

The New Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all respects with all other Ordinary Shares which will be in issue on completion of the Placing.

Collins Stewart is regulated in the United Kingdom by the Financial Services Authority and is acting exclusively for O Twelve Estates Limited and no-one else in connection with the Placing and Admission. Collins Stewart will not regard any other person (whether or not a recipient of this document) as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor be responsible for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

Collins Stewart has been appointed as nominated adviser and broker to the Company. In accordance with the AIM Rules, Collins Stewart has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Collins Stewart for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible. Collins Stewart's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document.

This document comprises an admission document prepared in accordance with the AIM Rules. It does not constitute a prospectus for the purposes of section 84(2) of the Financial Services and Markets Act 2000 and the Prospectus Rules of the Financial Services Authority and has not been delivered to the Registrar of Companies in England and Wales or approved by the Financial Services Authority as a prospectus pursuant to section 85 of the Financial Services and Markets Act 2000. This document is also not a prospectus approved for the purposes of Regulation 12 of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any offer of securities in the Republic of Ireland is exempt from the obligation to publish a prospectus by virtue of Regulation 9 of such regulations. Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Collins Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR from the date of this document for the period of one month from Admission.

This document does not constitute an offer to sell or an invitation to subscribe for, or a solicitation of any offer to subscribe for or buy, any shares in the Company to any person in any jurisdiction in which such offer or solicitation is unlawful. This document should not be distributed, published, reproduced or otherwise made available in whole or in part or disclosed by recipients to any other person and, in particular, should not be distributed to persons with addresses in Canada, Australia, Japan or in any other country outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirements. No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. No document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

The distribution of this document and the placing of the New Ordinary Shares in or into certain jurisdictions may be restricted by law. No action has been taken by the Company or by Collins Stewart that would permit a public offer of shares in the Company or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, any US Person as that term is defined in Regulation S under the US Securities Act and in this document. The Company has not been registered and will not register under the United States Investment Company Act of 1940, as amended.

## CONTENTS

|   | <i>Page</i> |
|---|-------------|
| Directors, Secretary and Advisers   | 3           |
| Placing Statistics  | 4           |
| Expected Timetable of Principal Events                                      | 4           |
| Definitions   | 5           |
| PART 1 Information on the Group   | 8           |
| PART 2 The Placing and Related Matters                                      | 14          |
| PART 3 Other Information  | 16          |
| PART 4 Risk Factors   | 18          |
| PART 5 Accountants' Report on Selected Financial Information on the Company | 25          |
| PART 6 Additional Information   | 30          |

## DIRECTORS, SECRETARY AND ADVISERS

|   |  |
|---|--|
| <b>Directors</b>                                      | Phillip Rhodes, <i>Non-executive Chairman</i><br>Howard Stanton, <i>Non-executive Director</i><br>Quentin Spicer, <i>Non-executive Director</i><br>Richard Barnes, <i>Non-executive Director</i><br>Peter Radford, <i>Non-executive Director</i> |
| <b>Registered Office</b>                              | No. 1 Le Truchot<br>St. Peter Port<br>Guernsey GY1 4AE   |
| <b>Administrator and Secretary</b>                    | Collins Stewart Fund Management Limited<br>No. 1 Le Truchot<br>St. Peter Port<br>Guernsey GY1 4AE  |
| <b>Property Adviser</b>                               | Rugby Asset Management Limited<br>14 Garrick Street<br>London WC2E 9SB   |
| <b>Nominated Adviser and Broker to the Company</b>    | Collins Stewart Limited<br>9th Floor<br>88 Wood Street<br>London EC2V 7QR  |
| <b>Reporting Accountants</b>                          | Ernst & Young LLP<br>1 More London Place<br>London SE1 2AF   |
| <b>Auditors</b>                                       | Ernst & Young LLP<br>PO Box 9<br>New Street<br>St Peter Port<br>Guernsey GY1 4AF   |
| <b>Solicitors to the Company as to English law</b>    | Nabarro Nathanson<br>Lacon House<br>84 Theobald's Road<br>London WC1X 8RW  |
| <b>Advocates to the Company as to Guernsey law</b>    | Ogier<br>Coutts House<br>Le Truchot<br>St. Peter Port<br>Guernsey GY1 1WD  |
| <b>Solicitors to the Nominated Adviser and Broker</b> | Norton Rose<br>Kempson House<br>Camomile Street<br>London EC3A 7AN   |
| <b>Valuers</b>  | CB Richard Ellis<br>Kingsley House<br>Wimpole Street<br>London W1G 0RE   |
| <b>Financial PR consultants</b>                       | Financial Dynamics<br>Holborn Gate<br>Southampton Buildings<br>London WC2A 1PB   |
| <b>Registrars</b>                                     | Capita IRG (CI) Limited<br>No. 1 Le Truchot<br>St. Peter Port<br>Guernsey GY1 4AE  |
| <b>CREST Service Provider and UK Transfer Agent</b>   | Capita Registrars<br>The Registry<br>34 Beckenham Road<br>Kent BR3 4TU   |
| <b>Custodian</b>                                      | Collins Stewart (CI) Limited<br>No. 1 Le Truchot<br>St. Peter Port<br>Guernsey GY1 4AE   |

## PLACING STATISTICS

|  |                |
|--|----------------|
| Placing Price per New Ordinary Share                                   | 100p           |
| Number of Ordinary Shares in issue prior to the Placing                | 2              |
| Number of New Ordinary Shares  | 122,500,000    |
| Number of Ordinary Shares in issue following the Placing and Admission | 122,500,002    |
| Estimated net proceeds of the Placing                                  | £117.0 million |
| Market capitalisation at the Placing Price on Admission                | £122.5 million |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|  |               |
|--|---------------|
| Publication of this document   | 22 March 2006 |
| Admission and commencement of dealings in the Ordinary Shares on AIM | 27 March 2006 |
| CREST accounts credited in respect of the Ordinary Shares            | 27 March 2006 |
| Despatch of definitive share certificates (where applicable)         | 3 April 2006  |

## DEFINITIONS

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

|   |   |
|---|---|
| “Administrator”                         | Collins Stewart Fund Management Limited;  |
| “Administration Agreement”              | the administration agreement dated 22 March 2006 between the Company and the Administrator, a summary of which is set out in paragraph 9.3 of Part 6 of this document;  |
| “Admission”                             | the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules;   |
| “AIM Rules”                             | the rules for AIM companies and their nominated advisers issued by the London Stock Exchange;   |
| “AIM”                                   | the AIM market operated by the London Stock Exchange;   |
| “Articles”                              | the Company’s articles of association, as may be amended from time to time;   |
| “Board” or “Directors”                  | the board of directors of the Company from time to time, including a duly constituted committee of the directors;   |
| “Business”                              | the business of the Group, as described in Part 1 of this document;   |
| “Collins Stewart”                       | Collins Stewart Limited of 9th Floor, 88 Wood Street, London EC2V 7QR;  |
| “Combined Code”                         | the Combined Code on Corporate Governance issued by the Financial Reporting Council;  |
| “Companies Laws”                        | the Companies (Guernsey) Law, 1994 and the Companies (Enabling Provisions) (Guernsey) Law, 1996 in each case as amended extended or replaced and any ordinance, statutory instrument or regulation made thereunder; |
| “Company” or “O Twelve”                 | O Twelve Estates Limited, a closed-ended investment company with limited liability, incorporated and registered in Guernsey with number 44444;  |
| “CREST”                                 | the system of paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo Limited;  |
| “CREST Guernsey Requirements”           | CREST Rule 8 (Admission of Guernsey Securities) and such other of the rules and requirements of CRESTCo Limited as may be applicable to the Company or from time to time specified in the CREST Manual;             |
| “CREST Manual”                          | the CREST manual as defined in the document issued by CRESTCo Limited entitled “CREST Glossary of Terms”;   |
| “Custodian”                             | Collins Stewart (CI) Limited, incorporated and registered in Guernsey with number 22761;  |
| “Custody Agreement”                     | the custody agreement dated 22 March 2006 between the Company and the Custodian, a summary of which is set out in paragraph 9.4 of Part 6 of this document;   |
| “Financial Services Authority” or “FSA” | the Financial Services Authority of the UK in its capacity as the competent authority for the purposes of FSMA;   |
| “FSMA”                                  | the Financial Services and Markets Act 2000 of England and Wales, as amended;   |

|                                 |   |
|---------------------------------|---|
| “Gross Property Asset Value”    | the aggregated asset value of the Group attributable to (i) in the case of real estate interests held through joint ventures or similar arrangements, the Group’s proportionate share of the Market Value of the underlying real estate, and (ii) in the case of real estate held directly or through single purpose vehicles solely by a member of the Group, the aggregate Market Value of such real estate, in each case, before deduction of any liabilities of the Group as determined by the most recent valuation of the Group’s real estate portfolio undertaken by the Valuers, as may be adjusted for any subsequent disposals or acquisitions; |
| “Group” or<br>“O Twelve Group”  | the Company and its wholly owned subsidiaries from time to time, including the Subsidiary;  |
| “IPD”                           | Investment Property Databank Limited;   |
| “Listing Rules”                 | the rules relating to admission to the Official List;   |
| “London Stock Exchange”         | London Stock Exchange plc;  |
| “Market Value”                  | in relation to any real estate interest of the Group, the fair market value of the underlying real estate as determined by the Valuers from time to time;   |
| “Model Code”                    | the model code on directors dealings in securities as set out in Annex 1 to Chapter 9 of the Listing Rules;   |
| “Net Assets per Ordinary Share” | the fully diluted net assets per Ordinary Share of the Company as shown in the audited consolidated annual accounts of the Group from time to time;   |
| “New Ordinary Shares”           | the 122,500,000 new Ordinary Shares to be allotted pursuant to the Placing, such being conditional on Admission;  |
| “Official List”                 | the official list of the UK Listing Authority;  |
| “Ordinary Shares”               | ordinary shares of 1p each in the share capital of the Company;   |
| “Placing Agreement”             | the conditional agreement dated 22 March 2006 between Collins Stewart, the Company, the Property Adviser and the Directors, further details of which are set out in paragraph 9.1 of Part 6 of this document;   |
| “Placing Price”                 | 100p per New Ordinary Share;  |
| “Placing”                       | the conditional placing of 122,500,000 new Ordinary Shares pursuant to the Placing Agreement;   |
| “Property Adviser”              | Rugby Asset Management Limited, a company incorporated and registered in England and Wales under number 3816555, and a wholly-owned subsidiary of Rugby Estates;  |
| “Property Adviser Agreement”    | the property adviser agreement dated 22 March 2006 between the Company and the Property Adviser, a summary of which is set out in paragraph 9.2 of Part 6 of this document;   |
| “Prospectus Rules”              | the rules made for the purposes of Part VI of FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market;  |
| “REIT”                          | UK Real Estate Investment Trust;  |
| “Rugby Estates”                 | Rugby Estates Plc, a company incorporated and registered in England and Wales under number 2548935;   |
| “Rugby Estates Group”           | Rugby Estates and its wholly-owned subsidiaries, including the Property Adviser;  |

|                          |   |
|--------------------------|---|
| “Shareholders”           | a person recorded as a holder of Ordinary Shares in the Company’s register of shares;   |
| “Subsidiary”             | OTwelve Properties Limited, a company incorporated and registered in England and Wales under number 5662553, to become a wholly-owned subsidiary of O Twelve conditional on Admission;  |
| “subsidiary”             | as defined in sections 736 and 736A of the UK Act;  |
| “Target Area”            | the London Boroughs of Enfield, Haringey, Waltham Forest, Hackney, Tower Hamlets, Redbridge, Newham, Barking, Havering, Greenwich and Bexley; the county of Essex; such part of Kent as is bounded by Greater London, the A20, the A28 to Margate and the Thames Estuary; and such part of Hertfordshire bounded by Greater London, the A1(M), the A507, the A10, the A120 and the county of Essex; |
| “UK Act”                 | the Companies Act 1985 (as amended);  |
| “UK” or “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland;   |
| “US” or “United States”  | the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia; and  |
| “Valuer”                 | CB Richard Ellis Limited or such other firm as the Directors may appoint from time to time.   |

## PART 1

### Information on the Group

The following is a summary of the principal features of the Group and its proposed business and should be read in conjunction with the full text of this document. The particular attention of potential investors is drawn to the Risk Factors set out in Part 4 of this document.

#### Introduction

O Twelve, a closed-ended investment company registered in Guernsey, has been formed to establish a substantial property investment portfolio in the Thames Gateway and the adjacent areas of east London, Essex, South Hertfordshire and North Kent, areas which typically have lower property values compared with the rest of the south of England generally. The Company will seek to generate an attractive rate of return for Shareholders by taking advantage of property acquisition opportunities in the Target Area in the run up to the London Olympic Games in 2012. Property acquisitions will be considered across all sectors: industrial, retail, office, leisure and residential.

The Company will be advised by the Property Adviser in carrying out its property investment activities. The Property Adviser will also advise the Company on the development, management and disposal of its property portfolio. The Property Adviser, its parent company, Rugby Estates, and their respective directors have considerable experience of property investment and management in the Target Area and maintain close relationships with existing land owners in the area and with the local real estate community.

#### The Opportunity

The opportunity is to share in the potential growth in value in real estate in the Target Area. It is anticipated that this growth in value will be stimulated by the regeneration initiatives and investment, both public and private, planned particularly for the area in and around Stratford, east London, in the build up to the Olympic Games in 2012.

In addition to the expected stimulus of hosting the 2012 Olympic Games, the Target Area is also benefiting from significant infrastructure and environmental improvements and ongoing regeneration projects, such as the redevelopment of the Thames Gateway (one of the largest regeneration areas in Europe).

By 2012 the regeneration and infrastructure improvements currently planned for certain parts of the Target Area, which amount to approximately £10 billion, should have been largely completed. It is the Board's hope that this will result in a significant structural, economic and cultural repositioning of the Target Area.

Once the enabling legislation for REITs has been enacted, the Directors will consider whether conversion of O Twelve to a REIT, if practicable, is in the best interests of Shareholders.

#### Investment Strategy

Overall, the Company's investment strategy is to establish a property portfolio that is diverse by sector (whether industrial, retail, office, leisure or residential), by tenant and by size. The Company's key criterion for property acquisitions will be the potential for rental and capital value growth through active property management and/or through a re-characterisation of the acquired real estate. Re-characterisation may arise purely as a result of the so called "Olympic effect" on the location, or it may need to be actively encouraged. Bringing about such re-characterisation may range from a simple image improvement programme for a previously neglected industrial estate to attract better quality tenants, to a full redevelopment scheme following the grant of planning consent for a change of use (for example from commercial to a residential or mixed-use project).

Whilst it is intended that the majority of properties acquired will be income-producing, the creation of value through development or refurbishment will also be actively pursued. Development will be undertaken selectively across the sectors either by the acquisition of sites, with or without the benefit of planning consent, or through the management of income-producing properties into

development opportunities. In certain locations a site assembly programme may be pursued with a view to obtaining planning consent for a comprehensive re-development. Joint ventures may also be entered into in circumstances where the continuing involvement of existing landowners, local authorities or central government agencies is necessary, or for large projects where a sharing of financial risk is appropriate. The Company may also pursue other indirect investments through property investment partnerships or unit trusts or investments in the equities of other property investment or property holding companies.

The Company does not intend to make acquisitions with a capital value of less than £5 million except where they involve the acquisition of smaller properties or plots of adjacent land with the intention of bringing them together to create one development project. Properties acquired may be multi-let, let to a single occupier or vacant but the majority of the holdings are intended to be freehold and income-producing.

The structure to be used for each acquisition of property will be reviewed in the context of each particular acquisition, and the Company will make such acquisitions by means of any structure considered to be appropriate in the circumstances of the proposed acquisition. Accordingly, the Company may, without limit, incorporate further subsidiaries to hold property or may acquire the share capital of companies, units in unit trusts, or partnership interests in partnerships which own one or more properties.

### **Investment Restrictions**

No property acquisition or new letting will be made if, immediately after the proposed acquisition or letting:

- less than 75 per cent. of Gross Property Asset Value will be situated within the Target Area; or
- any single tenant, other than any government or governmental (central or local), quasi-governmental, supranational statutory or regulatory body will account for more than 20 per cent. of contracted rental income.

Provided that these restrictions will not apply if Gross Property Asset Value is less than £100 million.

### **Investment Process**

The Property Adviser will have responsibility for finding investment opportunities for the Company falling within the investment strategy described above. Once a potential opportunity has been identified, the Property Adviser will perform due diligence on the real estate opportunity and negotiate the purchase and finance terms with the relevant counterparties. Once this process is complete, the proposed investment opportunity will be presented to the Board for consideration and approval. The Board will take the final decision on whether each presented investment opportunity should be pursued.

The Property Adviser has identified a number of potential investment opportunities which fit the Company's investment strategy. All negotiations concerning those properties are at a very early stage and no commitments have been entered into by the Group in relation to any of them.

### **Property Adviser**

The Property Adviser is a wholly-owned subsidiary of Rugby Estates which was admitted to the Official List in 1994 and moved to AIM in 2005. Rugby Estates Group carries out property-related trading, development, management and investment throughout the United Kingdom directly, in joint ventures, and as asset manager for third parties.

Since its flotation in 1994, Rugby Estates has been active in acquiring, adding value to and disposing of properties throughout the UK, but principally in London and south east England. During the 11 years to 31 January 2005, Rugby Estates Group carried out property transactions with an aggregate value of over £650 million, generating an aggregate pre-tax profit of £60 million and delivering an annualised return on net assets of 13 per cent. per annum for its shareholders. The portfolio return on Rugby Estates' directly-owned properties for the year and for the five years ended 31 January 2005 was 43 per cent. per annum and 20 per cent. per annum respectively. This was equal to first position in the IPD benchmark index for the year and for the five years ended 31 December 2004.

The Property Adviser was established in 2002 to undertake the third-party asset management activities of Rugby Estates Group. The Property Adviser is property adviser to ING Covent Garden Limited Partnership and London Industrial Partnership Limited, which together have property assets with a market value of more than £200 million. The Property Adviser will act as investment adviser and property portfolio manager to the Company pursuant to the terms and conditions of the Property Adviser Agreement, which is summarised below and (more fully) in paragraph 9.2 of Part 6 of this document.

The Property Adviser is not regulated by the Financial Services Authority other than in respect of certain insurance intermediation activities.

The management team of the Property Adviser is identical to that of Rugby Estates, and comprises five executive directors and two associate directors. Individual roles within the Property Adviser are identical to those within Rugby Estates. Each of the executive directors has more than twelve years service with Rugby Estates.

Biographies of the executive directors of both Rugby Estates and the Property Adviser are set out below:

*David Tye BSc, FRICS (aged 53) – Executive Chairman, Rugby Estates and director of the Property Adviser*

David Tye, a chartered surveyor and a founder director of Rugby Estates, is responsible for Rugby Estate's strategy and property initiatives. Prior to joining Rugby Securities Limited, part of the Hilldown Holdings Group, in 1980, David worked for Norwich Union and Druce & Co. Rugby Securities Limited and Rugby Estates were associated companies until the flotation of Rugby Estates in 1994.

*Andrew Wilson BSc, FRICS (aged 51) – Chief Executive, Rugby Estates and director of the Property Adviser*

Andrew Wilson, a chartered surveyor and a founder director of Rugby Estates, is responsible for the Rugby Estates Group's overall management, with a specific focus on third-party asset management and joint ventures, in addition to the identification of acquisitions and disposals. Before joining Rugby Securities in 1987, he was Chief Investment Surveyor at Royal Insurance Plc.

*Stephen Jones BSc, MSc, FCA (aged 51) – Finance Director, Rugby Estates and director of the Property Adviser*

Stephen Jones, a chartered accountant and a founder director of Rugby Estates, is responsible for all of the financial and administrative functions of the Rugby Estates Group, including the negotiation of finance, reporting and administration for third party asset management vehicles.

*Neal Taylor BSc, MRICS (aged 38) – Property Director, Rugby Estates and director of the Property Adviser*

Neal Taylor, a chartered surveyor, joined Rugby Estates in 1992, having been a fund manager with Hillier Parker. He was appointed a director of Rugby Estates in 1997 and is responsible for the identification and negotiation of property acquisitions, their active management and subsequent disposal.

*Alexander Wildman BSc, MRICS (aged 34) – Property Director, Rugby Estates and director of the Property Adviser*

Alex Wildman, a chartered surveyor, joined Rugby Estates in 1993. He was appointed a director of Rugby Estates in 2000 and is responsible for the identification and negotiation of property acquisitions, their active management and subsequent disposal.

In addition to the executive directors, the management team of Rugby Estates and the Property Adviser includes two associate directors:

Roger Montaut MRICS (aged 36), a chartered surveyor who joined Rugby Estates in 2005 from CB Richard Ellis to strengthen its asset management resource.

Graham Elliott (aged 39), who joined Rugby Estates as financial controller in 1995.

## Property Adviser Agreement

The Company has entered into the Property Adviser Agreement with the Property Adviser. The Property Adviser, whose appointment is conditional upon Admission, has responsibility for, among other things, finding new investment opportunities for the Company, performing due diligence on those investment opportunities, presenting such opportunities to the Board, negotiating the terms of any Board approved investment opportunity (including its financing) and managing the Group's property portfolio. Such management responsibilities include, among other things, collection of rent and the letting of properties. Save for certain limited circumstances in which the Property Adviser is permitted to commit the Company without requiring the prior approval of the Board, all investments and other capital expenditure by the Company require the prior approval of the Board. In the interests of operating the Business efficiently, the Property Adviser is authorised to carry on certain property letting and management activities (within agreed limitations) without requiring the prior approval of the Board.

The Property Adviser will receive an aggregate annual management fee payable quarterly in arrears, at the rate of 1 per cent. per annum of the Gross Property Asset Value, subject to receiving a minimum annual fee of £250,000.

In addition to the annual management fee, the Property Adviser is entitled to an annual performance fee. In summary, the performance fee (to the extent payable) is linked to cumulative total return per Ordinary Share ("CTR") (comprising the Company's net asset value per share ("NAPS") plus the aggregate dividends per share paid since Admission) exceeding the Performance Benchmarks. To the extent that it becomes payable, the performance fee will comprise the First Performance Fee and the Second Performance Fee (both as described below) and together referred to below as the "Performance Fee".

The "First Performance Benchmark" will be an amount per share representing the net proceeds of the Placing per share compounded up at 10 per cent. per annum from the date of Admission. If at the end of any financial year of the Company the CTR is in excess of the First Performance Benchmark, the First Performance Fee will be calculated as 15 per cent. of the amount by which such CTR exceeds the higher of the First Performance Benchmark and the highest previous CTR that has been used in the calculation of the First Performance Fee, multiplied by the weighted average number of Ordinary Shares in issue during that financial year.

The "Second Performance Benchmark" will be an amount per share representing the net proceeds of the Placing per share compounded up at 15 per cent. per annum from the date of Admission. If at the end of any financial year of the Company the CTR is in excess of the Second Performance Benchmark, the Second Performance Fee will be calculated as 10 per cent. of the amount by which such CTR exceeds the higher of the Second Performance Benchmark and the highest previous CTR that has been used in the calculation of the Second Performance Fee multiplied by the weighted average number of Ordinary Shares in issue during that financial year.

The Performance Fee is structured so that no fee is payable if the CTR decreases. However, the Property Adviser will not be required to repay any previously earned Performance Fee, but no further performance fee will be payable until such time as the year on year CTR benchmarks have been achieved.

NAPS will be calculated from the audited consolidated balance sheet of O Twelve adjusted to exclude any accrual for any Performance Fee and further adjusted if necessary to reflect the best estimates reasonably available of the market value of the Group's assets and liabilities and the dilution effect of any outstanding share options over shares in the share capital Company.

The Property Adviser is entitled to retain any commission due to the insured or its agent under any policy of insurance arranged by the Property Adviser. In the event that any member of the Group agrees to proceed with a development or refurbishment project involving construction expenditure of £500,000 or over, the Property Adviser will be entitled to charge a reasonable management fee to be agreed with and approved by the Company as part of the project appraisal.

The Property Adviser Agreement also includes provisions dealing with any conflicts of interest of the Property Adviser. These are summarised in Part 2 of this document.

The Property Adviser's appointment is for a fixed initial period of eight years from the date of Admission and thereafter, it is terminable on two years' written notice, such notice to expire any time after the end of the initial period. In certain circumstances the Property Adviser Agreement may be terminated by the Company without notice. These include the Property Adviser materially breaching the terms of the agreement or becoming insolvent or in the event that both David Tye and Andrew Wilson cease to be directors and employees of the Property Adviser and/or Rugby Estates. The Property Adviser's performance will be reviewed by the Board on an ongoing basis. The Company has a right to terminate the Property Adviser Agreement prior to the expiry of the initial eight year term if the CTR (calculated on the same basis for the performance fee as described above) as at 31 March 2009 and 31 March 2012 have not achieved a minimum performance benchmark. This minimum performance benchmark is the amount per share representing the net proceeds of the Placing per share compounded up at 5 per cent. per annum from the date of Admission. Prior to the Company terminating the Property Adviser Agreement early pursuant to these two performance benchmark reviews, the Property Adviser will be entitled to make representations to the Board to explain the background and context of the Group's performance. Further details of the Property Adviser Agreement are set out in paragraph 9 of Part 6 of this document.

### **Directors**

The Directors, all of whom are non-executive, are responsible for the determination of the investment strategy of the Company and overall supervision of the Group's activities.

The Directors are as follows:

#### *Phillip Rhodes (aged 59), Non-executive Chairman*

Phillip is chairman of Asquith Court Holdings Limited having been appointed in 2001. Asquith is a leading educational service provider in the UK. He is a past non-executive Director and Chairman of Workspace Group PLC, a leading specialist property investment company devoted to the provision of small unit light industrial, studio and office workspace for small and medium sized businesses. Since qualifying as a chartered accountant in 1968, Phillip has been involved at board level in various public companies.

#### *Howard Stanton (aged 63), Non-executive Director*

Howard is a certified accountant and property and business consultant to a range of businesses. He was chairman and previously managing director of Allied London Properties plc when it was a fully listed property investment company and is also a non-executive director of Stylo plc and Anglo Scottish Properties plc.

#### *Quentin Spicer (aged 61), Non-executive Director*

Quentin qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970. He moved to Guernsey in 1996 as a senior partner in Wedlake Bell Guernsey, specialising in United Kingdom property transactions for non-UK resident entities. He is chairman of the Guernsey Housing Association LBG, Mercator Group Holdings Limited, European Value and Income Fund Limited and ISIS Property Trust 2 Limited and is a non-executive director of several other funds.

#### *Richard Barnes (aged 43), Non-executive Director*

Richard is a principal of BDP Barnes Daniels and Partners, chartered surveyors established in November 2001, and specialises in Channel Island commercial property, valuation, consultancy, investment and development. Prior to this, Richard was a manager of the Mourant du Feu & Jeune Property Department (1995-1997) and a director of ATIS REAL Weatheralls Jersey (1997-2001) where he was director of a number of offshore property structures administered on behalf of clients. Richard has over 20 years experience of working in the real estate sector and has also held posts at Hillier Parker, Vigers and Bernard Thorpe. Richard is chairman of the Invesco Property Income Trust and past chairman of the Jersey branch of the Royal Institution of Chartered Surveyors and often acts as an independent expert and arbitrator in Jersey and Guernsey third party disputes.

#### *Peter Radford (aged 48), Non-executive Director*

Peter was appointed managing director of Bordeaux Services (Guernsey) Limited on its incorporation in 1997. Peter started his career with BDO Reads in 1978 and subsequently worked for Executive Management Trust in Amsterdam (1981-1983) and Fisher Hoffman Stride in

Johannesburg (1983-1986). From 1986 to 1991 he was Managing Director of the Abroad Spectrum Group based in Durban, South Africa. In 1991 Peter returned to Guernsey to develop the fund administration and asset management business of the Havelet Trust Group. He holds a number of directorships within the Genesis Fund Management Group and a range of Guernsey-based mutual fund companies and investment companies. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales and of the South African Institute of Chartered Accountants. He is also a Fellow of the Securities and Investment Institute and of the Society of Trust and Estate Practitioners.

All of the Directors are independent of the Property Adviser, the Administrator and the Custodian.

### **Trading Record**

The Company has only recently been incorporated and consequently it has not published any financial information. An accountants' report and financial information on the Company is set out in Part 5 of this document.

The Company's annual report and consolidated accounts will be prepared up to 31 March in each year. The first annual report covering the period from incorporation to 31 March 2007 is expected to be published by the end of July 2007 and will be circulated to Shareholders at that time with subsequent annual reports to be circulated to Shareholders annually thereafter. Shareholders will also receive an unaudited interim report covering the six month period to the end of September in each year, the first such report covering the period from incorporation to 30 September 2006. Shareholders will be sent updates on the Group's activities as and when appropriate.

### **Life span of the Company**

There are no specific provisions for the life span of the Company although the Directors estimate it to be up to 12 years.

In accordance with the Articles to be adopted prior to Admission, a resolution will be proposed at the annual general meeting of the Company to be held in 2014 and at each annual general meeting held every two years thereafter giving Shareholders the opportunity to vote on whether the Company should continue as an investment company or to call for a winding up of the Company and a return of its distributable assets to Shareholders.

In the event that none of the initial proceeds of the Placing are utilised to acquire property assets in the initial period of 18 months following Admission, the Directors will propose a resolution to Shareholders that the Company be wound up.

### **Dividend Policy**

The initial focus of the Company will be the delivery of capital growth for Shareholders and therefore the Company will only consider the payment of dividends as and when it is appropriate to do so. As such it is not possible at this stage to give an indication of the likely level or timing of any future dividends. To the extent that any dividends are paid they will be paid in accordance with any applicable laws and the regulations to which the Company is subject.

### **Borrowings**

Once the net proceeds of the Placing have been committed to property acquisitions and projects, the Company intends to take on secured borrowings in order to enable its property portfolio to expand further. It is currently intended that borrowings will not normally exceed 65 per cent. of the value of the Group's property portfolio at the time new borrowings are drawn down. Interest rate hedging will be considered in the light of prevailing conditions at that time.

### **Taxation**

The Company intends to conduct its business in a tax efficient manner as a Guernsey resident company. As such, the Company's net income from property rental under current UK tax arrangements will attract tax at a rate of 22 per cent. per annum. Capital profits and losses arising on the sale of investment property are not currently subject to Guernsey tax, nor, as the Company is not resident in the UK for tax purposes, to UK tax.

Further information regarding United Kingdom and Guernsey taxation is set out in paragraph 6 of Part 6 of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

## PART 2

### The Placing and Related Matters

#### Capital Structure

The Company's share capital will, at Admission, comprise Ordinary Shares only. Shareholders will be entitled to profits of the Company available for distribution and resolved to be distributed by the Directors. Shareholders will be entitled to attend and vote at all general meetings of the Company. Application has been made for all of the Ordinary Shares to be admitted to AIM.

#### Reasons for the Placing and Use of Proceeds

The Placing, which is not underwritten and is conditional on Admission, is intended to raise approximately £117 million, net of expenses, for the Company. The net proceeds will be used to acquire properties of the type referred to in the investment strategy described in Part 1 of this document. While no specific acquisitions have been agreed, the Board currently expects that the net proceeds will be fully committed by 31 March 2007. The minimum lot size for each property acquisition is expected to be at least £5 million, except where they involve the acquisition of smaller properties or plots of adjacent land with the intention of bringing them together to create one development. Pending expenditure, the Company's cash balances will be held in bank deposits.

#### Details of the Placing

Subject to Admission, the Company will issue the New Ordinary Shares by way of the Placing to institutional investors to raise approximately £117 million net of expenses. The New Ordinary Shares will represent approximately 99.99 per cent. of the enlarged issued share capital of the Company.

Save as otherwise approved by the Board, applications for subscriptions must be for a minimum of £50,000, and thereafter in multiples of £1,000. The Board will only exercise its discretion to allow subscriptions of amounts of less than £50,000 if it believes it is in the best interests of Shareholders to do so.

Collins Stewart and the Company, among others, have entered into a Placing Agreement in relation to the Placing, further details of which are set out in paragraph 9.1 of Part 6 of this document.

The New Ordinary Shares will be issued fully paid and will, on issue, rank *pari passu* with the Ordinary Shares already in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

Rugby (BVI) Holdings Limited, a wholly-owned subsidiary of Rugby Estates, will subscribe at the Placing Price for 4,000,000 of the New Ordinary Shares. The Rugby Estates Plc Retirement Benefit Scheme, the beneficiaries of which are the directors of Rugby Estates, will subscribe at the Placing Price for 120,000 of the New Ordinary Shares. Both of the above subscriptions will be subject to Admission.

#### CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission.

#### Admission, Settlement and Dealings

It is expected that Admission to trading will take place and dealing will commence on 27 March 2006 and that definitive share certificates in respect of the New Ordinary Shares will be despatched on or before 3 April 2006.

It is expected that the relevant Ordinary Shares will be delivered to the relevant CREST accounts on the day of Admission and that share certificates for the Ordinary Shares to be held in certified form will be dispatched within 10 business days of Admission. No temporary documents of title will be issued.

#### **Further Issues of Ordinary Shares**

There are no provisions of Guernsey law equivalent to sections 89 to 96 of the UK Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash or otherwise. However, similar pre-emption rights have been incorporated into the Articles. These rights do not currently apply in relation to issues of equity securities in a number equal to up to five per cent. of the number of Ordinary Shares in issue immediately following Admission and in certain other defined circumstances.

No Ordinary Shares will be issued for cash on a non pre-emptive basis pursuant to such dis-application if such issue would result in a dilution to the net asset value per existing Ordinary Share. Application will be made for any new Ordinary Shares to be issued under this authority to be admitted to AIM.

#### **Buy-back of Ordinary Shares**

The Directors will, following Admission and until the Company's next annual general meeting in 2007, have authority to buy-back up to 14.99 per cent. of the fully paid-up Ordinary Shares in issue upon Admission. The Company will seek renewal of this authority from Shareholders at the annual general meeting in 2007 and thereafter at subsequent annual general meetings. The making and timing of any share buy-backs will be at the absolute discretion of the Board. Any buy-back of Ordinary Shares will be made subject to Guernsey law and within guidelines established from time to time by the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices where the Directors believe those purchases will enhance Shareholder value.

#### **Lock-up**

Rugby (BVI) Holdings Limited and each of the Directors subscribing for New Ordinary Shares in the Placing have agreed subject to certain limited exemptions, not to dispose of any Ordinary Shares for which they subscribe on Admission for a period of 12 months from Admission.

## PART 3

### Other Information

#### Initial Costs and Expenses

The initial expenses of the Company will be met from the proceeds of the Placing. These expenses will include the fees payable under the Placing Agreement, the Registrar's fees, listing and admission fees, printing and distribution costs, legal and accounting fees and any other applicable expenses. The Directors do not anticipate that these initial expenses will exceed £5.5 million.

The principal annual expenses of the Company will be the fees payable to the Property Adviser, the Administrator and the Directors. The Company will also incur regulatory fees, custodian fees, valuation fees, legal fees, registrar's fees, audit and taxation fees, any costs in respect of properties acquired and any interest payable under any banking facility.

The total administrative expenses of the Company are expected to amount to approximately £850,000 per annum (excluding the initial expenses of the Company), which over the financial period ending 31 March 2007 represents approximately 0.7 per cent. of the initial equity proceeds. This figure does not include the interest payable on any banking facility, costs in respect of properties acquired or the management fee of 1 per cent. of Gross Property Asset Value payable to the Property Adviser in excess of the minimum amount of £62,500 per quarter.

#### The Administrator

The Company has entered into the Administration Agreement with Collins Stewart Fund Management Limited under which it will, as Administrator, and conditional upon Admission, provide administration and secretarial services to the Company. The Administrator is entitled to receive a quarterly fee of 0.025 per cent. of the net asset value of the Company together with an amount equal to 0.025 per cent. of the long term borrowings invested by or on behalf of the Group subject to a minimum annual amount of £100,000 in respect of the period from Admission to 31 March 2007 and for each consecutive 12 months thereafter. The Administration Agreement has an initial term of 2 years and is thereafter terminable by either party on not less than 180 days' notice in writing. The Administration Agreement can be terminated at any point without notice in certain limited circumstances. Further details of the terms of the Administration Agreement are set out in paragraph 9.3 of Part 6 of this document.

The Administrator is licensed and regulated by the Guernsey Financial Services Commission.

#### Accounting Policies

The audited accounts of the Company will be prepared under International Financial Reporting Standards ("IFRS"). Under IFRS, the Company will prepare an income statement that does not differentiate between revenue and capital and also includes net realised and unrealised investment gains on investment properties. IFRS generally require that assets and liabilities are carried at their fair value and the Directors have decided that they will adopt the option that exists within IFRS to carry investment property at its fair value. The Group's property assets will be re-valued each time the Group prepares financial statements and at least twice a year.

#### Reporting of Results

The Company expects to announce unaudited interim results for the period ending 30 September 2006 and audited results for the first full period ending 31 March 2007 within 3 months of the end of each reporting period. In addition to the requirements of Guernsey law and the AIM Rules, the results announcement will include a calculation of net assets per Ordinary Share, taking into account an external valuation of the properties as at the balance sheet date. Subject to Admission, CB Richard Ellis will be appointed as the Group's external Valuer.

#### Conflicts of Interest

In addition to advising the Company, the Property Adviser may also provide management, advisory and other services to other clients (including investment companies), which may result in conflicts of interest arising from time to time.

Pursuant to the Property Adviser Agreement, the Property Adviser has agreed to provide the Company with a right of first refusal over any investment opportunity located in the Target Area in relation to properties which fit the investment criteria of the Group and which have a purchase price of £5 million or more (or, in the case of adjacent properties acquired simultaneously or within one month of each other, which taken together have a purchase price of £5 million or more) or where the property is adjacent to any other such opportunity or an existing property owned by a member of the Group. The Company has agreed to release the Property Adviser from such obligation if so requested by the Property Adviser, and if the Company believes it is reasonable to do so. The Company may not unreasonably withhold its consent to such request. An example of where it may be unreasonable for the Company to withhold its consent is where the Company does not have any further funds available for investment without having to return to Shareholders. The obligation on the Property Adviser to give the Company a right of refusal as described above is subject to a pre-existing obligation of the Property Adviser to give a third party first refusal on industrial property investment opportunities within the M25 motorway.

In all circumstances, if a conflict of interest arises, the Property Adviser and the Company agree that all such conflicts are to be resolved fairly so that investment opportunities are fairly allocated to the Company and to the Property Adviser's other clients, including any member of the Rugby Estates Group. Furthermore, the activities of the Property Adviser in its capacity as the Company's property investment manager are subject to the overall direction and review of the Directors. Any direct or indirect dealings between the Company and the Property Adviser or its associates will be on arm's length terms only and approved by the Board.

#### **Cash Management**

The Company may from time to time hold cash, for example, immediately following Admission and prior to making investments in property, and as a result of the realisation of investments. Cash may, in the short-term, be placed on deposit pending further investment or distribution to Shareholders. The Custodian will provide such cash management services to the Company pursuant to the terms of the Custody Agreement.

#### **Corporate Governance**

The Directors are committed to maintaining a high standard of corporate governance and intend to comply with the Quoted Companies Alliance Corporate Governance Guidelines for AIM Companies published on 13 July 2005 and with those aspects of the Combined Code as are appropriate for an investment company of its size and type.

The Company does not consider it necessary to establish an audit committee given the nature of its board structure and operations. The Board will undertake all functions that would normally be delegated to the audit committee including reviewing annual and interim results, receiving reports from its auditors, agreeing the auditors' remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary the Board will obtain specialist external advice from either its auditors or other advisers.

The Company does not intend to establish remuneration and nomination committees as such committees would not be appropriate given the nature of the Company's board structure and operations. The Board will review annually the remuneration of the Directors and agree a reasonable and market standard level of non-executive fees, based upon market information sourced from appropriate external consultants. Consideration will be given by the Board to future succession plans for members of the Board, as well as consideration as to whether the Board has the skills required to manage the Company effectively, and particularly its relationship with the Property Adviser, the Administrator and the Custodian. The Company will take all reasonable steps to ensure compliance by the Directors with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose, similar to the Model Code.

The Board intends to review regularly key business and financial risks facing the Group in the operation of its business.

## PART 4

### Risk Factors

*Investors are referred to the risks set out below. An investment in the Company is subject to a number of risks. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating, or who have been advised of the risks and merits of, such investments and who have sufficient resources to bear any loss which might result from such investment. No assurance can be given that Shareholders will realise a profit or avoid a loss on their investment. The risks described below do not purport to be exhaustive. Additional risks which are not presently known or are currently deemed immaterial may also impair the Company's business, financial condition or results of operations and prospects could suffer, in which case investors could lose all or part of their investment. Potential investors should review this document carefully and in its entirety and consult with professional advisers before making any investment in the New Ordinary Shares or otherwise acquiring Ordinary Shares. If any of the following risks occur, the Group's business, financial position and/or operating results could be materially and adversely affected. Additional risk and uncertainties not presently known to the Directors, or that the Directors do not currently anticipate to be material, may also have an adverse effect on the Group's business and financial position.*

#### GENERAL

##### Share volatility and liquidity

The share price of publicly traded companies can be volatile. The value of the Ordinary Shares may go down as well as up. An investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, including some specific to the Group and its operations and some which may affect the real estate sector or quoted companies generally.

It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.

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

Investors will have no right to redeem Ordinary Shares. Prior to any future winding up of the Company, and save for any purchases by the Company of its own Ordinary Shares, the only way to realise Ordinary shares will be by sale in the market.

##### Investment objectives

There can be no guarantee that the investment objectives of the Company will be met. The Company will have funds available to invest following the close of the Placing. If property values in the Target Area rise significantly between the publication of this document and the time when the Company invests such funds following the Placing (including any borrowings to be arranged following Admission), the potential returns from property generally and therefore available for Ordinary Shareholders may be adversely affected.

##### Lack of operating history

The Group does not have an operating history upon which prospective investors may base an evaluation of its likely performance. The past performance of the Property Adviser is not indicative of the future performance and prospects of the Group.

The Group is at the initial stages of its development. It has no assets, other than the net proceeds of the Placing, nor is it generating any revenues. The commencement of the generation of significant revenues and capital growth is difficult to predict and, while the Board and the Property Adviser are confident that this will happen in the relatively short term, there is no guarantee that they will be significant, at least in the foreseeable future.

The Group faces risks frequently encountered by developing companies. In particular, the Group's future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information and quality control issues on a timely basis, whilst at the same time maintaining effective cost control. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operation.

### **Dividends**

The level of dividends, if any, paid on the Ordinary Shares is not guaranteed and may fluctuate. The income derived from Ordinary Shares (if any) can go down as well as up. Any dividend growth on the Ordinary Shares will depend largely on growth in rental and other income returns on the properties acquired by the Group, which may fluctuate, and capital gains realised on the underlying assets. If under Guernsey law there were to be a change to the basis on which dividends could be paid by Guernsey companies, or if there are changes to accounting standards or to the interpretation of accounting standards, this could have an adverse effect on the Company's ability to pay dividends.

### **Capital growth fund**

The Company is a capital growth company and it is likely that, in its early years, Shareholders may receive no or small dividends. This means that investment in the Company may be inappropriate for investors whose main requirement is income rather than capital growth.

### **Unsuccessful transaction costs**

There is a risk that the Company may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include expenses incurred in relation to public offers and in dealing with transaction documentation and legal, accounting and environmental due diligence.

### **Bank facilities and gearing**

There is no certainty that, if required by the Company, it will be able to put in place debt facilities on acceptable terms or indeed at all.

The Company's capital structure is such that the net assets attributable to the Ordinary Shares will depend on the underlying performance of the Group's assets and the amount of its borrowings. Amounts owing under any banking facility will rank ahead of Shareholders' entitlements. A positive net asset value per Ordinary Share will be dependent upon the Group's assets being sufficient to meet prior entitlements.

Prospective investors should be aware that, whilst the use of borrowings should enhance the total return on the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. Furthermore, should any fall in the underlying asset value or expected revenues result in the Company breaching the financial covenants contained in any loan agreement, the Company may be required to repay such borrowings in whole or in part together with any attendant costs. This could adversely affect the capital and income return to the Shareholders.

It is likely that any bank facility will be secured by way of charges over the assets of the Group. If the Company is required to repay all or part of its borrowings (together with any attendant costs), it may be required to sell assets of the property portfolio at less than their market value or at a time or in circumstances where the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the property.

Shareholders should be aware that any increase in interest rates may increase the costs of the Group's borrowings and may have an adverse effect on the returns to the Company and, consequently, the ability of the Company to pay dividends. This may also have a negative impact on the net asset value of the Ordinary Shares.

If the Group's assets do not grow at a rate sufficient to cover the costs of establishing and operating the Group and acquiring the property portfolio (including interest and loan repayments, if any), Shareholders may not recover the amount initially invested.

### **Taxation**

The levels of, and reliefs from, taxation in Guernsey, the UK and elsewhere may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. The attention of investors is drawn to paragraph 6 of Part 6 of this document.

Any change in the rates or application of tax, particularly in Guernsey and the UK in respect of property income and/or disposal of property could adversely affect the Company's ability to pay dividends, the level of dividend growth and/or the market value of the Ordinary Shares.

UK tax legislation contains transfer pricing restrictions which can have the effect of reducing the amount of interest which is treated as deductible in computing tax on rental and other income received by members of the Group. It is possible that HM Revenue and Customs could challenge the deductibility of some of the interest which is being paid and in the event of a challenge being successful, more of the Group's rental income may be taxable which would therefore reduce the after tax income of the Company.

The Group is currently operated and managed so as not to be subject to UK capital gains tax in respect of its investments in UK property. If the present UK tax treatment of non-resident investors in UK property was to change, or as if the Group was managed in the UK, the Group could become subject to UK tax on capital gains.

### **Use of interest rate hedging**

The Company may utilise financial instruments for risk management purposes in order to manage its interest rate exposure. While the Company may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Company than if it had not engaged in such hedging transactions, for example if variable interest rates fall below a rate which has been fixed for a significant period.

## **PROPERTY AND THE GROUP'S BUSINESS**

### **Valuations**

Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that valuations of the properties, when made, will reflect actual sale prices even where those sales occur shortly after the relevant valuation date.

### **Defaults, vacancies and rental income**

Certain of the Group's properties may be occupied by a single tenant. The financial success of those properties will depend on the financial stability of that tenant. Lease payment defaults by tenants could cause the Group to have to meet the tenant's costs relating to the property which may reduce the amount of dividends, if any, to Shareholders. In the event of a tenant's default, the Group may experience delays in enforcing its rights as landlord and may incur substantial costs including litigation, enforcement and related expenses in protecting its investment and re-letting its property. If a lease is terminated, the Group may be unable to lease the property for the level of rent which it previously received or sell the property without incurring a loss.

In the event of default by an occupational tenant, the expiry of a lease where the tenant does not renew or during any other period in which a property is vacant, the Group will suffer a rental shortfall and incur additional cost in maintaining, insuring and re-letting the property until it is occupied. Rent reviews may not achieve the then estimated rental values. The rental income from the Group's property portfolio and accordingly any dividends on the Ordinary Shares are not guaranteed.

Certain of the properties of the Group, when acquired, may have some level of vacancy. Certain of the Group's properties may be specifically suited to the particular needs of a tenant. The Group may have difficulty in obtaining a new tenant for any vacant space. If the vacancy continues for a long period of time, the Group may suffer reduced revenues which may result in less cash being available to be distributed to Shareholders. In addition, the sale value of a property could be diminished because its market value will depend principally upon the lease or leases granted on that property.

#### **Lack of funding for future tenant improvements**

When a tenant at one of the properties does not renew its lease or otherwise vacates its space in one of the properties, it is likely that, in order to attract one or more new tenants, the Group will be required to expend funds for the refurbishment of the vacated space or to provide financial inducements to the new tenants such as rent free periods. While the Group intends to manage its cash position or financing availability to pay for any improvements or other benefits required for re-letting and to meet the loss of revenue that may result, the Group cannot be certain that it will have adequate sources of funding available to it for those purposes in the future.

#### **Uninsured losses**

The Property Adviser will aim to ensure that all of the Group's property assets are adequately insured to cover all appropriate losses. However, changes in the cost or availability of insurance could expose the Group to uninsured losses. In the event that any of the properties incur a loss that is not fully covered by insurance, the value of the Group's property assets will be reduced by that uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and it cannot be certain that any those sources of funding will be available to it for such purposes in the future. There may be additional risks associated with investments in real property including certain types of loss and destruction which may not be insurable.

#### **Economic risk**

Any future economic downturn (and downturn in the property sector in particular) could materially adversely affect the value of properties held by the Group. Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the acquisition, development or redevelopment and management of the property, as well as upon changes in its market value. Rental income and the market value for properties are affected mainly by overall economic conditions, such as tenant and investor demand for property, growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.

Both rental income and property values may also be affected by other factors specific to the real estate market, including competition from other property owners and investors, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

The returns that are likely to be achieved on an investment in a company which has its assets invested solely in the UK will be materially affected by the political and economic climate in the UK. In particular, changes in the rates of inflation and interest rates may affect the Group's income and capital value or the value of an investment property.

#### **Development and refurbishment**

The Group may undertake redevelopment of property or investment in property that requires refurbishment prior to renting the property. The risks of such development or refurbishment include, but are not limited to, (i) delays in timely completion of the project; (ii) cost over runs; (iii) poor quality workmanship; and (iv) inability to rent or inability to rent at a rental level sufficient to generate profits.

### **Competition and availability of investment opportunities**

The Group may face significant competition from UK or non-UK property companies. Certain competitors may have greater financial resources than the Group and a greater ability to borrow funds to acquire properties. Competition in the property market may lead either to an over-supply of commercial premises through over-development, or to prices for existing properties or land or development being driven up through competing bids by potential purchasers. Accordingly, the existence of competition may have a material adverse effect on the Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or development land at satisfactory prices.

The Directors currently anticipate that interest in real estate investment in the Target Area will increase. Accordingly, whilst the Directors are confident of the Property Adviser's ability to source investment opportunities in the timescale envisaged, the Directors are also aware that other investors may be pursuing investment opportunities in the Target Area at the same time as the Company, which may limit the availability of suitable investment opportunities for the Company.

### **Environmental Liabilities**

Under various environmental laws, a current or previous owner or operator of real estate property may be liable for the cost of removing or remediating hazardous or toxic substances on that property. Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws may also impose restrictions on the manner in which property may be used or businesses may be operated. A property owner (or operator) who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of properties, the Group may be exposed to those remedial costs or restrictions on the usage of the property. The cost of defending against environmental claims or complying with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the Group's business, assets or results of operations and, consequently, the amount available for dividends to Shareholders.

### **Reliance upon Property Adviser**

The Group will not manage or exercise day-to-day control of its property portfolio itself and will rely on the property investment and management services of the Property Adviser. Relationships with the Group's tenants may be significantly influenced by the performance of the Property Adviser. The Company's return on its investments may depend on the quality of service and performance of the Property Adviser. In addition, concentration of management of the Company's property investments with one service provider could affect the Group adversely in the event that the Property Adviser fails to fulfil its function effectively, or at all. The Board will monitor the performance of the Property Adviser and decide whether or not to pursue, if deemed appropriate, the investment opportunities introduced by the Property Adviser, but the Property Adviser's performance cannot be guaranteed.

### **Reliance on key individuals**

The success of the Group and its business strategy are dependent on the ability of the Property Adviser to retain key management and other personnel with the relevant expertise and experience. While the Directors consider that no single individual associated with the Property Adviser is critical to the Group's operations, the loss of one or more key employees could have a material adverse effect on the Group. The Company may terminate the Property Adviser Agreement if both David Tye and Andrew Wilson cease to be employees and directors of Rugby Estates and/or the Property Adviser.

### **Concentration of investments**

As stated in Part 1 of this document, the investment strategy of the Company is to invest in properties in the Target Area. Given this concentration of investment and rental income, the market value of properties may be affected by overall conditions specific to the local economy. The lack of diversification as regards the geographical area in which the Group will invest may therefore be more adversely affected by these local conditions.

## **Law and regulation**

Government authorities are actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property assets.

Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the capital value of the Group's property assets and/or the rental income derived from them.

## **Changes in planning legislation**

The investment strategy will partly rely on re-characterisation of assets and the redevelopment of real estate. Such redevelopment will be subject to obtaining planning consents. There can be no guarantee that such planning consents will be provided and if consent is not granted, this may adversely affect the Group's investments. In addition, if any changes to current UK planning legislation were to be implemented or if any restrictions were to be imposed on the use of land within the Target Area after the Olympic Games, this may also adversely affect the Group's investments and prospects.

## **Change in, and reliance on, government or government policy**

To date, the present government has demonstrated a commitment to promoting the regeneration of certain parts of the Target Area (such as the Thames Gateway) and has provided financial commitments in support of the hosting of the Olympic Games. A change in government policy could result in a change in the level of support for such regeneration projects and/or the hosting of the 2012 Olympic Games.

The success of regeneration within the Target Area will be dependant on the success of the government in delivering the regeneration and infrastructure projects earmarked for the Target Area. There can be no guarantee that the government will deliver these successfully within the envisaged timeframe. Failure to complete these projects may adversely impact on the Group's ability to invest in properties benefiting from such regeneration or demand, and so achieve its target returns.

## **Post-Olympic property demand**

There can be no guarantee that there will be demand for real estate in the Target Area following the 2012 Olympic Games. A decline in demand for real estate in the Target Area following the Olympic Games would adversely affect the Group's property investments to the extent these are retained after the Olympic Games.

## **Restrictions on the use of the Company's name**

Following enactment of the London Olympic Bill and such act coming into force, it is possible that the London Organising Committee of the 2012 Olympic Games may object to the Company's and/or the Subsidiary's name on the grounds that there is a perceived association between these names and the 2012 Olympic Games. In such circumstances it is possible that the Company and/or the Subsidiary could be subject to a fine or to payment of an ongoing fee for continued use of such names. Accordingly the Company and the Subsidiary may be required to change its name. Any such challenge to the use of the Group's corporate and trading names could generate adverse publicity which may affect the Group's operations and business.

## **Terrorist action**

There is a risk of terrorist attacks on the United States, the United Kingdom and elsewhere causing significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The 2012 Olympic Games could make London and the Target Area a particular target for such terrorist attacks. The impact of such events is unclear, but a terrorist attack in the United Kingdom, or specifically in London, could have a material effect on the demand for real estate in the Target Area and also on general economic conditions and market liquidity.


### **Forward-looking statements**

All statements other than statements of historical facts included in this document, including (without limitation) those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectation in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expression or their negative, are forward looking statements. Those forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance, achievement or dividends paid by the Group to be materially different from future results, performance or achievements or dividend payment expressed or implied by such forward looking statements. Those forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this document. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained in this document or reflect any change in the Group's expectations with regard to these, any new information or any change in events, or any conditions or circumstances on which any such statements are based, unless required to do so by the AIM Rules or any other regulations to which it is subject.

## PART 5

### Accountants' Report on Selected Financial Information on the Company

The Directors  
O Twelve Estates Limited  
No. 1 Le Truchot  
St Peter Port  
Guernsey  
GY1 4AE

 ERNST & YOUNG  
1 More London Place  
London  
SE1 2AF

22 March 2006

Dear Sirs

#### **Accountants' Report O Twelve Estates Limited**

We report on the financial information set out in the balance sheet and statement of changes in equity below and the notes to such financial information. This financial information has been prepared for inclusion in the AIM admission document dated 22 March 2006 of O Twelve Estates Limited on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

#### **Responsibilities**

The Directors of O Twelve Estates Limited are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

#### **Basis of opinion**

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

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

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

#### **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 22 March 2006, a true and fair view of the state of affairs of O Twelve Estates Limited as at the dates stated and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as described in note 1.

**Declaration**

We are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

## Selected Financial Information on the Company

### Balance Sheet

|                                     | <i>Note</i> | <i>8 March 2006</i><br>£ |
|-------------------------------------|-------------|--------------------------|
| <b>Assets</b>                       |             |                          |
| <i>Current assets</i>               |             |                          |
| Debtors                             |             | 2                        |
| <b>Total assets</b>                 |             | <u>2</u>                 |
| <br>                                |             |                          |
| <b>Equity and Liabilities</b>       |             |                          |
| <i>Equity</i>                       |             |                          |
| Called up share capital             | 4, 5        | —                        |
| Share premium                       | 5           | 2                        |
| <b>Total equity</b>                 |             | <u>2</u>                 |
| <b>Total liabilities</b>            |             | <u>—</u>                 |
| <b>Total equity and liabilities</b> |             | <u>2</u>                 |

### Statement of Changes in Equity

|  | <i>Share<br/>capital</i><br>£ | <i>Share<br/>premium</i><br>£ | <i>Total<br/>equity</i><br>£ |
|--|-------------------------------|-------------------------------|------------------------------|
| Issue of share capital at incorporation on<br>1 March 2006 | —                             | 2                             | 2                            |
| As at 8 March 2006   | <u>—</u>                      | <u>2</u>                      | <u>2</u>                     |

## Notes to the Financial Information

### 1. Basis of preparation

The financial information has been prepared under the historical cost basis and in accordance with International Financial Reporting Standards and is presented in pounds sterling.

A cash flow statement has not been presented as the Company entered into no cash transactions during the period.

### 2. Income Statement

The Company did not trade during the period nor did it incur any administrative expenses or costs associated with the establishment of the Company. Accordingly, no income statement is presented for the period.

The fee for the audit of these financial statements and other professional costs in connection with the proposed admission of the Company's share capital to trading on AIM of the Company will be charged in the financial statements for the period from incorporation to 31 March 2007.

The directors received no management compensation in any form from the Company in the period.

### 3. Income tax

The company was incorporated on 1 March 2006 under Guernsey company law and is subject to tax in Guernsey at a flat rate of £600 per annum, which has not been accrued for during the period. The Company may be subject to foreign taxes in respect of foreign source income.

No income tax is chargeable to the income statement in the statutory financial statements or the statement of changes in equity in the current period.

### 4. Share capital

|  |                      |
|--|----------------------|
|  | 8 March<br>2006<br>£ |
| <i>Authorised</i><br>150,000,000 ordinary shares of £0.01 each | <u>150,000,000</u>   |
|  | 8 March<br>2006<br>£ |
| <i>Allotted and called up</i><br>2 ordinary shares of £0.01    | <u>0.02</u>          |

The Company was incorporated and registered in the Bailiwick of Guernsey on 1 March 2006. On incorporation 2 subscriber ordinary shares of £0.01 each were issued nil paid at £1 each.

### 5. Reconciliation of shareholders' funds and movements on reserves

|  | <i>Share<br/>capital</i><br>£ | <i>Share<br/>premium</i><br>£ | <i>Total<br/>Shareholders'<br/>Funds</i><br>£ |
|--|-------------------------------|-------------------------------|---|
| Issue of share capital at incorporation on<br>1 March 2006 | —                             | 2                             | 2   |
| As at 8 March 2006   | <u>—</u>                      | <u>2</u>                      | <u>2</u>                                      |

## 6. Post balance sheet events

The Company is planning to offer 122,500,000 ordinary shares through a placing and seek admission to the AIM market of the London Stock Exchange for dealings in the Company's ordinary shares.

On 22 March 2006, the Company entered into the following agreements, contingent on the Company's admission to trading on AIM:

### *Administration Agreement*

Under this agreement, a Guernsey administrator has been appointed to provide certain administrative services to the Company for a quarterly fee of 0.025 per cent. per annum of the company's net assets, subject to a minimum aggregate fee of £100,000 per annum.

### *Property Adviser Agreement*

This agreement sets out the responsibilities of the Company's property adviser, Rugby Asset Management Limited for identifying property investment opportunities and managing the Company's property portfolio. Under the agreement, Rugby Asset Management Limited will receive an annual fee of 1 per cent. of the value of properties owned by the Company and any of its subsidiaries and their share of any associates or joint ventures, subject to a minimum fee of £62,500 per quarter, payable quarterly in arrears, together with an annual performance fee calculated by reference to the dividends paid by and growth in the net asset value per share of the Company above certain hurdle rates.

### *Custody Agreement*

This agreement sets out the responsibilities of Collins Stewart (CI) Limited as custodian of the cash and cash equivalent assets of the Group. Collins Stewart (CI) Limited will receive a quarterly fee of 0.0125 per cent. of the value of the assets held by them.

### *Sale and Purchase Agreement*

Pursuant to this agreement, the Company has agreed subject to admission to acquire the entire issued share capital of OTwelve Properties Limited for a consideration of £1.

### *The Origination Agreement*

Pursuant to this agreement the Company has agreed to pay Rugby Asset Management Limited an origination and advisory fee of an amount equal to 1 per cent. of the gross amount of money raised in the Placing referred to above.

### *Option Agreement*

The Company has granted an option to Collins Stewart Limited to subscribe for up to 1 per cent. of the Company's share capital as at the date of Admission, at the placing price at any time between Admission and the fifth anniversary of the date of the grant of the option.

### *Increase in Authorised Share Capital*

The authorised share capital of the company was increased to 200 million Ordinary Shares of £0.01 each on 22 March 2006.

## PART 6

### Additional Information

#### 1. The Company

The Company was incorporated and registered in Guernsey under the Companies Laws with registered number 44444 on 1 March 2006. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no employees. Its registered office is at No. 1 Le Truchot, St. Peter Port, Guernsey GY1 4AE and the telephone number of its principal place of business is +44 (0) 1481 726 511. The Company is a closed-ended investment company.

#### 2. Share capital

2.1 The Company was incorporated with an authorised share capital of £1,500,000 divided into 150,000,000 Ordinary Shares of which two were issued nil paid to the subscribers to the memorandum of association. With effect from Admission both subscriber shares will be transferred to Rugby (BVI) Holdings Limited and will be paid up in full.

2.2 There are no provisions of Guernsey law equivalent to sections 89 to 96 of the UK Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash. However, the Articles set out provisions similar to the rights of pre-emption contained in the UK Act, as summarised in paragraph 4 below.

2.3 By written resolution passed on 22 March 2006 the members resolved to increase the authorised share capital of the Company to £2,000,000 by the creation of 50,000,000 new Ordinary Shares.

2.4 By written resolutions passed on 22 March 2006 the members resolved that:

2.4.1 none of the shares to be issued pursuant to the Placing or upon exercise of the option granted to Collins Stewart pursuant to the option agreement referred to in paragraph 9.7 of this Part 6 need to first be offered to the existing members of the Company and that such resolution be a special resolution for the purposes of Article 39 of the articles of association disapplying the provisions of Article 39 of the articles of association in respect of any shares issued pursuant to the Placing and such option; and

2.4.2 the directors be and are hereby empowered to allot Ordinary Shares as if Article 39 of the articles of association of the Company did not apply to such allotment provided that this power is limited to the allotment of Ordinary Shares where such shares have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares in proportion (as nearly as may be) to their existing holdings of Ordinary Shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with Ordinary Shares representing fractional entitlements and legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory and provided further that this power expires on the earlier of the end of the first annual general meeting of the Company and the date 15 months after the date of the passing of this resolution although the Company may make an offer or agreement before the expiry of such authority which would or might require Ordinary Shares to be allotted after the expiry of such authority and the directors may allot Ordinary Shares in pursuance of that offer or agreement as if the power conferred hereby had not expired; and

2.4.3 the Company be authorised, in accordance with Clause 5 of the Companies (Purchase of own Shares) Ordinance 1998, to make market purchases of its ordinary shares ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares so authorised to be purchased shall be 18,362,750 (being approximately 14.99 per cent. of the issued share capital of the Company upon Admission);

- (b) the minimum price (exclusive of expenses) which may be paid for each Ordinary Share shall not be less than its nominal value;
- (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share shall not exceed 105 per cent. of the average middle market quotation for an Ordinary Share as published by the AIM for the five business days preceding the day of purchase;
- (d) any such purchase authorised by the resolution may be funded in any manner permitted by the Companies (Purchase of own Shares) Ordinance 1998; and
- (e) the authority conferred in the resolution will expire on the earlier of the date falling eighteen months from the passing of the resolution and the closing of the Company's next annual general meeting, unless renewed, varied or revoked by the Company in general meeting before such expiry, except that the Company may at any time before such expiry, make a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of the authority conferred by the resolution and may make purchases of Ordinary Shares under such contract pursuant to such authority.

2.5 As at the date of this document the Company's authorised and issued share capital is, and immediately following Admission is expected to be, as follows:

|   | <i>Existing</i>          |                                  | <i>Following Admission</i> |                                  |
|---|--------------------------|----------------------------------|----------------------------|----------------------------------|
|   | <i>Nominal Value (£)</i> | <i>Number of Ordinary Shares</i> | <i>Nominal Value (£)</i>   | <i>Number of Ordinary Shares</i> |
| Authorised                                  | 2,000,000                | 200,000,000                      | 2,000,000                  | 200,000,000                      |
| Issued and, following Admission, fully paid | 0.02                     | 2                                | 1,225,002                  | 122,500,002                      |

2.6 Save for the options issued to Collins Stewart pursuant to the option agreement summarised in paragraph 9.7 below, no share or loan capital of any member of the Group is under option or has been agreed, conditionally or unconditionally, to be put under option.

2.7 All of the Ordinary Shares will be in registered form and will be eligible for settlement in CREST. Temporary documents of title will not be issued.

### 3. Subsidiary undertakings

The Company has entered into an agreement to acquire the entire issued share capital of the Subsidiary for a nominal amount conditional on Admission. The principal activity of the Subsidiary is intended to be property investment. Details of the Company's shareholding in the Subsidiary following Admission are as follows:

| <i>Name</i>                | <i>Issued share capital</i> | <i>Percentage of issued share capital held</i> | <i>Field of activity</i> |
|----------------------------|-----------------------------|--|--------------------------|
| OTwelve Properties Limited | 1 ordinary share of £1      | 100%   | Dormant                  |

### 4. Memorandum and articles of association

#### 4.1 Memorandum of association

The Company's principal objects, which are contained in its memorandum of association, include the carrying on of the business of an investment company. The objects of the Company are set out in full in clause 3 of the memorandum of association, which is available for inspection at the address specified in paragraph 1 above.

#### 4.2 Articles

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

#### 4.2.1 *Share Capital*

(a) *Power to attach rights*

Subject to the rights attached to existing shares or any class of shares, new shares in the Company may be issued with, or have attached to them, such preferred, deferred or other rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution decide, or, if no such resolution is passed or so far as any pertinent resolution does not make specific provision, as the Directors may decide.

(b) *Power to redeem and purchase shares*

Subject to the provisions of the Law:

(i) any preference shares may with the sanction either of the Directors or an ordinary resolution be issued on terms that they are to be redeemed or, at the option of the Company or the holder, are liable to be redeemed, in each case on such terms and in such manner as the Company before the issue may by ordinary resolution decide and subject to and in default of such determination as the Directors may decide;

(ii) the Company may from time to time purchase, or agree to purchase in the future, its own shares (including any redeemable shares) in any manner authorised by the Law; and

(iii) the Company and any of its subsidiary companies may give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Company or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Company.

(c) *Variation of rights*

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class validly held in accordance with the Articles, but not otherwise.

(d) *Consolidation, sub division and cancellation*

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of a large amount than its existing shares or sub-divide all or any of its shares into shares of a smaller amount than its existing shares (and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from subdivision one or more of the shares may have such preferred deferred or other rights over the others as the Company has power to attach to unissued or new shares), or may cancel shares which at the date of the passing of the resolution have not been taken or convert all or any of its fully paid shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency. By special resolution the Company may reduce its capital.

(e) *Payment of scrip dividends*

Subject to the Law, the Directors may, if authorised by an ordinary resolution, offer those shareholders of a particular class of shares in respect of any dividend the right to elect to receive shares by way of scrip dividend instead of cash.

(f) *Increase of share capital*

The Company may by ordinary resolution increase the share capital of the Company by such sum to be divided into shares of such amount as the resolution shall prescribe.

(g) *Pre-emptive rights*

All unissued shares which the Company is authorised to issue from time to time shall, before being offered to any person whether or not such person is already a Member, be offered to the Members in proportion as nearly as may be to the number of the existing shares held by them respectively, unless the Company in general meeting shall by special resolution otherwise direct. Such offer shall be made by written notice specifying the number of shares offered and a period (not being less than 14 days) within which the offer, to the extent not accepted, will be deemed to be declined. After the expiration of this period or, if earlier, on receipt of notice of non-acceptance, those shares so declined shall be offered to the Members who have within the said period accepted all the shares offered to them in the proportion aforesaid in like terms in the same manner and limited by a like period as the original offer. The Board may, in accordance with the provisions of this Article, allot, grant options over or otherwise dispose of such shares not accepted pursuant to such offers, taking into account any exclusions as the Directors may deem necessary to deal with problems arising in any overseas territory, and together with any shares not capable of being offered aforesaid except by way of fractions to such persons on such terms which are not more favourable to the subscribers therefor than the terms on which they were offered to the Members. The provisions of this Article shall not apply to a particular allotment of shares if these are to be paid for otherwise than in cash, shares proposed to be allotted for cash up to the Prescribed Amount permitted in a Prescribed Period (although the Company may make an offer or agreement before the expiry of such Prescribed Period which would or might require Ordinary Shares to be allotted after the expiry of such Prescribed Period and the directors may allot Ordinary Shares in pursuance of that offer or agreement as if the Prescribed Period had not expired), an allotment of bonus shares or an allotment of shares which, as respects dividends and capital, carry a right to participate only up to a specified amount in a distribution.

For the purposes of this paragraph:

- (i) Prescribed Amount means, for the first Prescribed Period, an amount equal to five per cent of the number of shares in issue immediately following Admission and, for any other Prescribed Period, stated in a relevant special resolution for the purposes of Article 39, or in either case any increased amount determined by a relevant special resolution; and
- (ii) Prescribed Period means in the first instance the period commencing on the date on which the adoption of the Articles becomes effective and ending at the earlier of the end of the first annual general meeting and the date 15 months after the date upon which the adoption of the Articles becomes effective, and thereafter the period commencing at the end of each annual general meeting and ending at the end of the next succeeding annual general meeting, or, if shorter, the period of 15 months commencing from the end of any annual general meeting.

4.2.2 *Transfer of shares*

- (a) The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST UK system.

- (b) If the directors implement any such arrangement no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:
  - (i) the holding of shares of that class in uncertificated form;
  - (ii) the transfer of title to shares of that class by means of the CREST UK system; or
  - (iii) the CREST Guernsey Requirements.
- (c) Where any class of shares is for the time being admitted to settlement by means of CREST UK system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.
- (d) Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system and as provided in the CREST Guernsey Requirements. Every transfer of shares from a CREST account of a CREST UK member to a CREST account of another CREST UK member will vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary however and whenever arising and however expressed.
- (e) Transfers of certificated shares may be effected by instrument of transfer in writing in any usual form or in any other form approved by the Board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. Subject to the foregoing and the CREST Guernsey Requirements, the transferor of a share is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- (f) Every instrument of transfer must be left at the registered office of the Company or such other place as the Directors may prescribe with the certificate of every share to be transferred and such other evidence as the Directors may reasonably require to prove the title of the transferor or his right to transfer the shares, and the transfer and certificate (if any) will remain in the custody of the Directors but must at all reasonable times be produced at the request and expense of the transferor or transferee or their respective representatives. A new certificate will be delivered free of charge to the transferee after the transfer is completed and registered in his application and when necessary a balance certificate will be delivered if required by him in writing.
- (g) The instrument of transfer of a share shall be signed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register.
- (h) Subject to the following restrictions and those discussed in paragraph 4.2.2(d), shares of the Company are free from any restriction on transfer. Subject to the requirements of the AIM Rules, the Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a certificated share which is not fully paid or the transfer of a certificated share on which the Company has a lien. In addition, the Directors may refuse to register a transfer of a certificated share which is prohibited by the provisions

described in paragraph 4.2.2(e) and may also refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment unless:

- (i) it is in respect of only one class of shares; and
  - (ii) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees; and
  - (iii) it is delivered for registration to the Company's registered office or such other place as the Directors may decide, accompanied by the certificate for the shares for which it relates (except in the case of a transfer where a certificate has not been issued, or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.
- (i) If the Directors refuse to register the transfer of a certificated share, they must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.
  - (j) The Company must register a transfer of title to any uncertificated share in accordance with the CREST Guernsey Requirements, but so that the Directors may refuse to register such a transfer in favour of more than four persons jointly or in any other circumstances permitted by the CREST Guernsey Requirements. If the Directors refuse to register the transfer of an uncertificated share they must, within two months after the date on which the transfer instruction relating to such transfer was received by the Company send notice of the refusal to the transferee.
  - (k) Subject to such restrictions (if any) as may be imposed by the CREST Guernsey Requirements, the registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any one year) as the Directors may decide and either generally or in respect of a particular class of shares.

#### 4.2.3 *Disclosure of interests in shares*

- (a) A member is obliged to notify the Company when he acquires or becomes aware that he has acquired or ceases to have or becomes aware that he has ceased to have a Notifiable Interest in shares. A member has a "Notifiable Interest" at any time when he is the holder of 3 per cent. or more of any class of shares in the Company. A member having a Notifiable Interest is also obliged to notify the Company when the holding of such a member increases or decreases through any single percentage. Where an obligation to notify arises the member must notify the Company as soon as practicable and in any case within the period of 5 days next following the day on which the obligation arises. Such notification must identify the member to which the notification relates and specify the number of shares held by the member at the time the obligation of disclosure arose or, if the member no longer has a Notifiable Interest, state that the member no longer has that interest.
- (b) The Directors have power by notice in writing to require any member (defined in the articles as the registered holder of a share) to disclose to the Company the identity of any person other than the member (an interested party) who has any interest in the shares held by the member and the nature of such interest. Any such notice must require any information in response to such notice to be given in writing within such reasonable time as the Directors may determine.

- (c) The Company will maintain a register of interested parties to which the provisions of Sections 55 and 58 of the Law will apply *mutatis mutandis* as if the register of interested parties was the register of members and whenever in pursuance of a requirement imposed on a shareholder the Company is informed of an interested party the identity of the interested party and the nature of the interest must be promptly inscribed therein together with the date of the request.
- (d) The Directors may be required to exercise their powers as described in paragraph 4.2.3(b) on the requisition of members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as carries at that date the right of voting at general meetings of the Company. The requisition must state that the requisitionists are requiring the Company to exercise its powers under Article 73 of the Articles, specify the manner in which they require those powers to be exercised, and give reasonable grounds for requiring the Company to exercise those powers in the manner specified and must be signed by the requisitionists and deposited at the registered office of the Company. The requisition may consist of several documents in like form each signed by one or more requisitionists. On the deposit of a requisition complying with the Articles it is the Directors' duty to exercise their powers as described in paragraph 4.2.3(b) in the manner specified in the requisition.

#### 4.2.4 *Failure to disclose interest in shares*

- (a) If any member has been duly served with a notice given by the Directors in accordance with the requirements described in paragraph 4.2.3(b) and is in default for the prescribed period (being 28 days after service of the notice unless the shares concerned represent 0.25 per cent. or more in nominal value of the issued share of the relevant class in which case it is 14 days) in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a "direction notice") upon such member.
- (b) A direction notice may direct that, in respect of any shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares") and any other shares held by the member, the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of the shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company, and where the default shares represent at least 0.25 per cent. of the class of shares concerned then the direction notice may additionally direct that in respect of the default shares (a) any dividend or part thereof or other amount which would otherwise be payable in respect of such shares will be withheld by the Company without any liability to pay interest thereon when such money is finally paid to the member, and the member shall not be entitled to elect to receive shares instead of a dividend, and (b) that no transfer other than an approved transfer (as described in paragraph 4.2.4(f) below) of the default shares held by such member may be registered unless the member is not himself in default as regards supplying the information requested and when presented for registration the transfer is accompanied by a certificate by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.
- (c) The Company shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but failure or omission by the Company to do so shall not invalidate such notice.

- (d) If shares are issued to a member as a result of that member holding other shares in the Company and if the shares in respect of which the new shares are issued are default shares in respect of which the member is for the time being subject to particular restrictions, the new shares shall on issue become subject to the same restrictions whilst held by that member as such default shares. For this purpose, share which the Company procures to be offered to members pro rata (or pro rata ignoring fractional entitlements and shares not offered to certain members by reason of legal or practical problems associated with offering shares outside the United Kingdom or Guernsey) shall be treated as shares issued as a result of a member holding other shares in the Company.
- (e) Any direction notice shall have effect in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer (as described in paragraph 4.2.4(f) below). As soon as practical after the direction notice has ceased to have effect (and in any event within seven days thereafter) the Directors shall procure that the restrictions imposed pursuant to the provisions described in paragraphs 4.2.4(b) and 4.2.4(d) above shall be removed and that dividends withheld pursuant to the provisions described in paragraph 4.2.4(b) above are paid to the relevant member.
- (f) For the purpose of this paragraph 4.2
- (i) a person shall be treated as appearing to be interested in any shares if the member holding such shares has given to the Company a notification which either (i) names such person as being so interested or (ii) fails to establish the identities of those interested in the shares and (after taking into account the said notification and any other relevant notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares;
- (ii) a transfer of shares is an approved transfer if but only if:
- it is a transfer of shares to an offeror by way or in pursuance of acceptance of a public offer made to acquire all the issued shares in the capital of the Company not already owned by the offeror or any connected person of the offeror in respect of the Company; or
  - the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the member and with other persons appearing to be interested in such shares; or
  - the transfer results from a sale made through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000 of the United Kingdom) or any stock exchange outside the United Kingdom on which the Company's shares are listed or normally traded.
- (g) Any shareholder who has given notice of an interested party in accordance with the requirements described in paragraph 4.2.3(b) who subsequently ceases to have any party interested in his shares or has any other person interested in his shares must notify the Company in writing of the cessation or change in such interest and the Directors shall promptly amend the register of interested parties accordingly.

#### 4.2.5 *Compulsory transfer of shares*

- (a) If it shall come to the notice of the Board that any shares:
- (i) are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those shares and, in the sole and

conclusive determination of the Board, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the Board to be relevant) would in the reasonable opinion of the Directors, cause a pecuniary or tax disadvantage to the Company or any other holder of shares or other securities of the Company which it or they might not otherwise have suffered or incurred; or

- (ii) are or may be owned or held directly or beneficially by any person that is a pension or other benefit plan subject to Title 1 of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and in the opinion of the board the assets of the Company may be considered “plan assets” within the meaning of regulations adopted under ERISA; or
- (iii) are or may be owned or held directly or beneficially such that the aggregate number of United States Persons (as defined in the Articles) who are holders or beneficial owners (which for these purposes shall include beneficial ownership by attribution pursuant to section 3(c)(1)(A) of the United States Investment Company Act) of shares or other securities of the Company and who are Private Offering Holders (as defined in the Articles) is or may be more than 75; or
- (iv) are or may be owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might in the opinion of the directors require registration of the Company as investment company under the United States Investment Company Act; or
- (v) are held by a person in circumstances that would make the operation of the Company ineligible pursuant to an exemption from certain disclosure, reporting and record keeping requirements of the United States Commodity Futures Trading Commission pursuant to Advisory 18-96 promulgated by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act or any other then-applicable exemption claimed.

the Directors may serve written notice (hereinafter called a “Transfer Notice”) upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the “Vendor”) of any of the shares concerned (the “Relevant Shares”) requiring the Vendor within 21 days (or such extended time as in all the circumstances the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Directors, would not fall within paragraphs 4.2.5(a)(i), (ii), (iv) or (v) above and whose ownership or holding of such shares would not result in the aggregate number of Private Offering Holders who are beneficial owners or holders of shares or other securities of the Company being 75 or more (such a person being hereinafter called an “Eligible Transferee”). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions referred to in this paragraph or paragraph 4.2.5(b) below, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

- (b) If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Directors consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder thereof by instructing a London Stock Exchange member firm to sell them at the best

price reasonably obtainable at the time of sale to any one or more Eligible Transferees. To give effect to a sale, the Directors may authorise in writing any officer or employee of the Company or any officer or employee of the secretary of the Company to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law) or to cause the transfer of the Relevant Shares to the purchaser and in relation to an uncertificated share may require the operator to convert the share into certificates form and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale. The net proceeds of the sale of the Relevant Shares, after payment of the Company's costs of the sale, shall be received by the Company, whose receipt shall be a good discharge for the purchase moneys, and shall belong to the Company and, upon their receipt, the Company shall become indebted to the former holder of the Relevant Shares, or the person who is automatically entitled to the Relevant Shares by transmission or by law, for an amount equal to the net proceeds of transfer, in the case of certificated shares, upon surrender by him or them of the certificate for the Relevant Shares which the vendor shall forthwith be obliged to deliver to the Company. The Company is deemed to be a debtor and not a trustee in respect of that amount for the member or other person. No interest is payable on that amount and the Company is not required to account for money earned on it. The amount may be employed in the business of the Company or as it thinks fit. The Company may register or cause the registration of the transferee as holder of the Relevant Shares and thereupon the transferee shall become absolutely entitled thereto.

- (c) A person who becomes aware that he falls within any of paragraphs 4.2.5(a)(i), (ii), (iv) or (v) above, or being a Private Offering Holder and a beneficial owner or holder of shares, becomes aware that the aggregate number of Private Offering Holders who are beneficial owners or holders of shares or other securities of the Company is more than 75, shall forthwith, unless he has already received a Transfer Notice pursuant to the provisions referred to in paragraph 4.2.5(a) above either transfer the shares to one or more Eligible Transferees or give a request in writing to the Directors for the issue of a Transfer Notice in accordance with the provisions referred to in paragraph 4.2.5(a) above. Every such request shall, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates.
- (d) Subject to the provisions of the Articles, the Directors will, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Directors to serve a Transfer Notice in respect thereof. The Directors may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 clear days after service of the notice requiring the same) as may be specified by the Directors in the said notice, the Directors may, in the absolute discretion, treat any share held by such a holder or joint holders or person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof.

- (e) The Directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions referred to paragraphs 4.2.5(a) and/or 4.2.5(b) and/or 4.2.5(d) above may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Directors at the relevant date provided that the said powers have been exercised in good faith.

#### 4.2.6 *Meetings of Shareholders*

- (a) The first general meeting of the Company should be held as required by law being within 18 months of 1 March 2006 (being the date of incorporation of the Company) and thereafter annual general meetings shall be held at least once in each subsequent calendar year provided that not more than 15 months shall elapse between one annual general meeting and the next.
- (b) The Board may convene an extraordinary general meeting whenever it thinks fit. Extraordinary general meetings shall be held in Guernsey or elsewhere. The Board must on the requisition in writing of one or more members holding not less than one-tenth of the issued share capital of the Company upon which all calls or other sums then due have been paid forthwith proceed to convene an extraordinary general meeting.
- (c) A general meeting shall be called by not less than 14 clear days' notice.
- (d) The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

#### 4.2.7 *Voting rights*

- (a) Subject as described in paragraph 4.2.4 and to any special rights or restrictions as to voting attached to any class of shares, at a general meeting every member present in person has on a show of hands one vote and every member present in person or by proxy has on a poll one vote for every share of which he is the holder. Unless the Board otherwise decides, no member is entitled in respect of a share held by him or be present or to vote, either in person or by proxy, at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll, if a call or other amount due and payable in respect of the share is unpaid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by the Company by reason of the non-payment. No member will be entitled to vote in respect of any shares unless he has been registered as their holder within the time set out in the relevant notice of the meeting.
- (b) Any body corporate which is a member of the Company may by resolution of its own directors or other governing body appoint such one or more persons as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company and to approve any resolution submitted in writing. Each representative appointed will be entitled to exercise on behalf of the body corporate which he represents (in respect of that part of the body corporate's holding of shares to which the authorisation relates) those powers that the body corporate could exercise if it were an individual member, including power to vote on a show of hands or on a poll and to demand or concur in demanding a poll. The body corporate will for the purposes of the Articles be deemed to be present in person at a meeting if a representative is present.

- (c) No Member shall be entitled to receive any dividend or to be present and vote at any general meeting either personally or (save as proxy for another Member) by proxy, or be reckoned in a quorum, or to exercise any other privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

#### 4.2.8 *Directors*

##### (a) *Appointment*

- (i) Directors may be appointed by an ordinary resolution of the Company or by the Directors. Any Director appointed by the Directors will hold office only until the next annual general meeting and will then be eligible for re-election. Unless the subscribers appoint a sole Director and until otherwise determined by the Directors the number of Directors shall not be less than three and not more than ten. At no time will a majority of Directors be resident in the United Kingdom. A Director need not be a member of the Company.
- (ii) The Directors may appoint one or more of their number to hold employment or executive office with the Company for such term and on such other terms and conditions as the Directors think fit. The Directors may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the Director and the Company or otherwise. The salary or other remuneration of a Director appointed to hold employment or executive office may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Directors, and may be in addition to or instead of a fee payable to him for his service as Director.
- (iii) The Directors may enter into an agreement or arrangement with any Director for the provision of any services outside the scope of the ordinary duties of a Director. Any such agreement or arrangement may be made on such terms and conditions as the Directors think fit and the Directors may remunerate any such Director for his services as they think fit (whether by way of salary, percentage or profits or otherwise and either in addition to or in substitution for any other remuneration which he may be entitled to receive).

##### (b) *Retirement by Rotation*

- (i) Each Director shall retire from office at the third annual general meeting after that at which he was last elected, save that at the first and second annual general meeting following the adoption of these Articles the Board shall nominate two Directors to retire and such two Directors shall retire with effect from the end of the annual general meeting at which they are nominated to retire but may, if they so wish, offer themselves up for re-election to the Board.
- (ii) Subject to the above, the Directors to retire by rotation at an annual general meeting in every year shall be in addition to any Director who wishes to retire and not offer himself for reappointment and any Director to retire under Article 77 (i.e. a Director appointed to fill a casual vacancy or as an addition to the Board of Directors and whose appointment ceases at the annual general meeting following the one at which he was appointed).

##### (c) *Removal of Directors*

The Company may by ordinary resolution remove a Director before the expiry of his period of office.

The office of director is vacated inter alia if any Director has a receiving order made against him, becomes bankrupt or insolvent, suspends payment or compounds with his creditors generally, becomes a patient under any mental health statute or is absent from board meetings for nine consecutive months and in such case a resolution of the Board is conclusive evidence of such vacation of office.

Neither the Law nor the Articles contain any provision which disqualifies any person from being appointed a Director of the Company, or requires him to vacate the office of Director of the Company, by reason only of the fact that he has attained 70 years of age or any other age.

(d) *Remuneration, expenses and pensions*

- (i) Unless otherwise decided by the Company by ordinary resolution, the Company shall pay to the Directors (but not alternate Directors) for their services as Directors out of the funds of the Company by way of fees such sums as the Directors decide (not exceeding £300,000 per annum in aggregate or such larger amount as to Company may by ordinary resolution decide). The aggregate fees will be divided among the Directors in such proportions as the Directors decide or, if no decision is made, equally.
- (ii) A Director who, at the request of the Board, goes to or resides in any country not his usual place of residence, makes a special journey or performs a special service on behalf of the Company may receive such sum as the Board may think fit.
- (iii) A Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as Director including, without limitation, expenses incurred in attending meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of a class of shares or debentures.
- (iv) The fee payable to an alternate Director is payable out of the fee payable to his appointor and an alternate Director is not entitled to a fee from the Company.

(e) *Directors' interests*

Provided he has disclosed to the Board the nature and extent of any material interest of his, a Director, notwithstanding his office:

- (i) may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested either in connection with his tenure of an office or place of profit or as seller, buyer or otherwise;
- (ii) may hold another office or place of profit with the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Company, and in that case on such terms as to remuneration and otherwise as the Directors may decide either in addition to or instead of remuneration provided for in the Articles;
- (iii) may be a director or other officer of, or employed by, or a party to a contract, transaction, arrangement or proposal with or otherwise interested in, a company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has a power of appointment; and

- (iv) is not liable to account to the Company for a profit, remuneration or other benefit realised by such contract, arrangement, transaction, proposal, office or employment and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.
- (f) A Director may not vote on or, subject as provided in paragraph 4.2.8(g), be counted in the quorum in relation to a resolution of the Directors or of a committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company), but this prohibition does not apply to a resolution concerning any of the following matters:
- (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
  - (iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (iv) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which he is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise (a “relevant company”), if he does not to his knowledge hold an interest in shares representing one per cent., or more of either any class of the equity share capital of or the voting rights in the relevant company;
  - (v) a contract, arrangement, transaction or proposal for the benefit of the employees of the Company or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and
  - (vi) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.
- (g) A Director may not vote on but may be counted in the quorum in relation to a resolution of the Directors or committee of the Directors concerning his own appointment (including, without limitation, fixing or varying the terms of his appointment or its termination) as the holder of an office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including, without limitation, fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals will be divided and a separate resolution considered in relation to each Director. In that case each of the Directors concerned (if not otherwise

debarred from voting under this Article) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (h) The Company may by ordinary resolution suspend or relax the provisions described in paragraphs 4.2.8(e), 4.2.8(f) and 4.2.8(g).

#### 4.2.9 *Borrowing powers*

- (a) The Directors may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets (present or future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.
- (b) The Articles do not contain any restriction or limit on the powers of the Directors referred to in paragraph 4.2.9(a).

#### 4.2.10 *Dividends*

- (a) The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors.
- (b) No dividend shall be paid otherwise than out of the profits of the Company available for the purpose and otherwise in accordance with the laws of Guernsey.
- (c) The Directors may declare and pay such interim dividends as appear justified by the profits of the Company available for distribution and the Board may direct, with the authority of an ordinary resolution of the Company, that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular the paid up shares or debentures of another company. No interim dividend shall be declared or paid on shares which do not confer preferred rights with regard to dividend if, at the time of declaration, any dividend on shares which do confer a right to a preferred dividend is in arrears.
- (d) Except as otherwise provided by the rights attached to shares, a dividend will be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for these purposes as paid up on the share. Except as otherwise so provided, dividends will be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

#### 4.2.11 *Capital reserve*

- (a) The Directors will establish a non-distributable reserve to be called the "capital reserve" and will either carry to the credit of such reserve from time to time, or apply in providing for depreciation or contingencies, all unrealised appreciation of investments or other assets representing or in the nature of accretion to capital assets. Any losses realised on the sale, transfer, conversion, payment off or realisation of any investments or other capital assets and provisions in respect of the diminution in value or depreciation in the value of capital assets will be carried to the debit of the capital reserve except in so far as the Directors may in their discretion decide to make good the same out of other funds of the Company.
- (b) Subject to the laws of Guernsey where any assets, business or property is bought by the Company as from a past date whether such date be before or after the incorporation of the Company profits and losses as from such date may be at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits and losses of the

Company. Subject as aforesaid if any shares or securities are purchased cum dividend or interest such dividend or interest may at the discretion of the Directors be treated as revenue and it will not be obligatory to capitalise all or part of the same.

- (c) The Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other, and whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management or the assets of the Company and any finance costs (including, without limitation, any interest payable by the Company in respect of its borrowings)) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, and to the extent the Directors determine that any such cost liability or expense should be apportioned to capital the Directors may debit or charge the same to the capital reserve.
- (d) Any reserves or other sums arising on the reduction or cancellation of any share premium account or capital redemption reserve of the Company will not be treated as capital for the purposes of the Articles and will not be carried to the credit of the capital reserve.
- (e) All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other moneys in the nature of accretion to capital may in any event be transferred to revenue account or be regarded or treated as profits of the Company available for distribution as dividend or otherwise applied in paying dividends on any shares in the Company.
- (f) Notwithstanding any provision of the Articles and subject to the law, the Company is not prohibited from redeeming or purchasing its own shares out of its capital profits or other amounts standing to the capital reserve.

#### 4.2.11 *Capitalisation of reserves*

The Directors may, with the authority of an ordinary resolution of the Company resolve to capitalise any undistributed profits of the company or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts whether or not available for distribution, appropriate the sum to be resolved to be capitalised to the members who, in the case of any amount capable of being distributed by way of dividend, would have been entitled thereto if so distributed or, in the case of any amount not so capable, to the members who would have been entitled thereto on a winding-up of the Company and in either case in the same proportions and apply that sum on their behalf in paying up amounts unpaid on shares held by them or paying up in full unissued debentures of a nominal amount equal to that sum and the Directors may make any arrangements they think fit to resolve a difficulty arising in the distributions of a capitalised reserve.

#### 4.2.12 *Duration of the Company*

The Directors shall procure that there is proposed at the annual general meeting of the Company falling in 2014 (and, if passed, at each second annual general meeting convened by the Directors thereafter) an ordinary resolution to the effect that the Company should continue as an investment company. If any such resolution is not passed, the Directors shall draw up proposals for the future of the Company (which may include the voluntary winding up, unitisation or other reorganisation of the Company) for submission to the members of the Company at an extraordinary general meeting. Implementation of the proposals will require the approval of the members by special resolution. If such proposals are not approved, the Company will continue as an investment company.

#### 4.2.13 *Distribution of assets on liquidation*

- (a) For such time as the Company only has one class of shares, the holders of its shares will under general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings.
- (b) On a winding-up the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company. For this purpose, the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out or vest the whole or any part of the assets in trustees. The liquidator may not distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

#### 4.2.14 *Untraced Shareholders*

The Company may, after advertising its intention in the manner and for such period as is prescribed in the Articles, sell any shares if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them, no cheque or warrant or money order sent to the member has been cashed, no payment made by the Company has been claimed or accepted and, so far as any director of the Company at the end of the relevant period is then aware, the Company has not received any communication during the relevant period from the member or the person entitled to them by transmission. Upon such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

#### 4.2.15 *Indemnity*

Without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a Director, alternate Director or secretary of the Company and their respective heirs and executors will be fully indemnified out of the assets and profits of the Company from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they may incur by or through their own wilful act neglect or default respectively and none of them will be answerable for the acts receipts neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company may be placed out or invested or for any loss, misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except should the same happen by or through their own wilful act, neglect or default.

### 5. **Directors' and other interests**

- 5.1 The aggregate remuneration to be paid to the Directors by the Company for the financial period ending 31 March 2007 is not expected to exceed £220,000 and the maximum aggregate amount of remuneration payable to the Directors permitted under the Articles is £300,000 or such larger amount as the Company may by Ordinary resolution decide.
- 5.2 There are no existing or proposed service contracts between any of the Directors and the Company. The Directors were appointed, conditional on Admission, as non-executive directors by letters of appointment, all of which are dated 22 March 2006. Phillip Rhodes and Howard Stanton will be paid a fee of £70,000 and £40,000 per annum respectively and each of Quentin Spicer, Richard Barnes and Peter Radford will be paid a fee of £30,000 per

annum. Such fees will be subject to annual review. Each letter of appointment states that the appointment is subject to the Articles including, in particular, the provisions dealing with retirement by rotation. Subject to the aforesaid, each Director's appointment will be for an initial term of three years, unless terminated earlier by and at the discretion of either party on three months' notice in writing or in certain other circumstances such as the bankruptcy of the relevant director. The Directors' appointment letters provide that upon the termination of a Director's appointment, that Director must resign from all companies in the Group and return all property of or relating to the business. Termination of a Director's appointment does not give rise to any right to compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated if, amongst other things if: he becomes bankrupt or makes an arrangement or compromise with his creditors; he becomes resident for tax purposes in the United Kingdom and, as a result thereof, a majority of the Directors are resident for tax purposes in the United Kingdom; he is requested by a majority of the other Directors (not being less than two in number) to vacate office; or he is removed from office by an ordinary resolution.

- 5.3 No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by the Group since incorporation or has been effected by the Group since incorporation and which remains in any way outstanding or unperformed.
- 5.4 Save as disclosed below no Director, including any connected person the existence of which is known to or who could with reasonable diligence be ascertained by that Director whether or not held through another party, has an interest in the share capital of the Company or in any options in respect of such capital.

The following Directors will be applying for Ordinary Shares in the Placing as follows:

|                | <i>Number of<br/>Ordinary Shares</i> |
|----------------|--------------------------------------|
| Phillip Rhodes | 25,000                               |
| Howard Stanton | 25,000                               |
| Quentin Spicer | 25,000                               |
| Richard Barnes | 25,000                               |

- 5.5 The Company will maintain directors' and officers' liability insurance for the benefit of the Directors at the expense of the Company to the extent that the Company is able to obtain such insurance.
- 5.6 As at 21 March 2006 (being the latest practicable date prior to publication of this document) in so far as is known to the Company, no person or persons, other than as set out below, is, are or will be, immediately following Admission, interested, directly or indirectly, in 3 per cent. or more of the capital of the Company.

| <i>Name</i>                  | <i>As at the date of this document</i>   |  | <i>Immediately following<br/>Admission</i> |  |
|------------------------------|--|--|--|--|
|                              | <i>Number of<br/>Ordinary<br/>Shares</i> | <i>Percentage of<br/>issued ordinary<br/>share capital</i> | <i>Number of<br/>Ordinary<br/>Shares</i>   | <i>Percentage of<br/>issued ordinary<br/>share capital</i> |
| Rugby (BVI) Holdings Limited | —  | —  | 4,000,000                                  | 3.3  |

Those interested in 3 per cent. or more (directly or indirectly) of the capital of the Company will not have different voting rights from other holders shared in the capital of the Company.

- 5.7 As at 21 March 2006 (being the latest practicable date prior to publication of this document), the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document or following Admission, exercise or could exercise control over the Company or any arrangement which could result in a change of control in the Company at a subsequent date.

- 5.8 Save as disclosed below none of the Directors has:
- 5.8.1 any unspent convictions in relation to indictable offences;
- 5.8.2 had a bankruptcy order made against him or made an individual voluntary arrangement;
- 5.8.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
- 5.8.4 been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- 5.8.5 had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or
- 5.8.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.9 Howard Stanton was the subject of a hearing of the Disciplinary Committee of the Association of Chartered Certified Accountants on 8 November 2005 in relation to his failure to maintain a record of his attendance at continuing professional development courses over a period of three years. Following such hearing the Disciplinary Committee decided to reprimand Mr Stanton, order him to pay costs of £762.50 and publish their decision.
- 5.10 No Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was effected during the current or immediately preceding financial year, or which was effected during any earlier financial year and remains in any respect outstanding or un-performed.
- 5.11 No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.
- 5.12 In addition to their directorships of the Company and the Subsidiary, the Directors hold or have held the following directorships and are or were partners in the following partnerships over or within the past five years:

| <i>Director</i> | <i>Current directorships/<br/>partnerships</i> | <i>Past directorships/<br/>partnerships</i> |
|-----------------|--|---|
| Phillip Rhodes  | Acorndrift Limited                             | Alipes 9                                    |
|                 | Acorndrive Limited                             | Cognita Schools Limited                     |
|                 | Asquith Court                                  | Cognita St Nicholas Limited                 |
|                 | Holdings Limited                               | Crouch Hill Limited                         |
|                 | Asquith Court Nurseries                        | Downsend Limited                            |
|                 | Limited  | Downsend Parent Company                     |
|                 | Asquith Court Nurseries                        | Limited                                     |
|                 | Management Services Limited                    | Downsend School Limited                     |
|                 | Asquith Nurseries                              | Lanecard Limited                            |
|                 | Developments Limited                           | Mirrorbrook Limited                         |
|                 | Asquith Nurseries Limited                      | Newinco 353 Limited                         |
|                 | Cheshire Plato LLP                             | North Bridge House Schools                  |
|                 | Chestnutbay Limited                            | Limited                                     |
|                 | Copthorn Holdings Limited                      | Olivers Wharf (Management)                  |
|                 | Crouch Hill Limited                            | Limited                                     |
|                 | GNS Property Services Limited                  | Stepping Stone School                       |
|                 | Goosebrook Limited                             | Workspace Group PLC                         |

| <i>Director</i>                      | <i>Current directorships/<br/>partnerships</i>   | <i>Past directorships/<br/>partnerships</i>  |
|--------------------------------------|--|--|
| Phillip Rhodes<br><i>(continued)</i> | Kinderstart Day Nurseries Limited<br>National Day Nurseries Association (By Guarantee)<br>Rivertide Limited<br>Rivertide Day Nurseries Limited<br>Rivertide Education Limited<br>Secret Garden (Wilmington) Limited<br>The Secret Garden (Chaucer Technology School) Limited<br>The Secret Garden (WKC) Limited<br>The Secret Garden Day Nursery Limited   |  |
| Howard Stanton                       | Anglo Scottish Properties (Investments) Limited<br>Anglo Scottish Properties P.L.C<br>Asset Securities Inc<br>Bay Management Inc<br>Brimican Investments Limited<br>Chemical Dependency Centre Limited (The)<br>Equal Investments Ltd<br>Equitex Securities Inc<br>Imperial House Properties (Aberdeen) Limited<br>Jews' College Trusts Limited<br>Lomax Holdings Inc<br>M&V Property Ltd<br>Marmax Investments Inc<br>Mutual Equity Holdings Inc<br>New Bridges Management Inc<br>Overseas Assets Inc<br>Pallis Investments Inc<br>Parity Investments Inc<br>Quadrex Holdings Inc<br>Round House Developments Limited<br>Sabre Properties Limited<br>Stylo PLC<br>Visona Securities Ltd<br>White Hart Lane Stadium Limited<br>Woodsville Investments Limited<br>Wye Investment Corp | Allied Limefort Limited<br>Allied London & Scottish Developments Limited<br>Allied London & Scottish Properties Plc<br>Allied London (Dartford) Limited<br>Allied London (Eagle House Two) Limited<br>Allied London (Eagle House) Limited<br>Allied London Finance Limited<br>Allied London Industrial Properties Limited<br>Allied London Investments Limited<br>Allied London Melford Limited<br>Allied London Properties Limited<br>Allied London Properties Management Limited<br>Allied London Property Investments Limited<br>Allied London Trading Limited<br>Artillery Mansions Limited<br>Association for Jewish Youth Incorporated (The)<br>Blenbury Limited<br>Burgess Furniture Ltd<br>Cheltenham Trade Park Limited<br>Cooper Developments (Midlands) Limited<br>Design & Promotions Limited<br>First Arrow Investment Management<br>Five Arrows Investments Limited<br>Five Arrows Limited |

| <i>Director</i>                      | <i>Current directorships/<br/>partnerships</i>   | <i>Past directorships/<br/>partnerships</i>   |
|--------------------------------------|--|---|
| Howard Stanton<br><i>(continued)</i> |  | Five Arrows Securities Limited<br>Gough Cooper & Company Limited<br>Gough Cooper Properties Limited<br>Halladale Haworth Property Limited<br>Hallco 80 Limited<br>Hamsard 2027 Limited<br>Hardman GP Limited<br>Jewish Continuity Ltd<br>Lawgra (No 1217) Limited<br>Legendposed Limited<br>Merchant Holdco Limited<br>Merchant SPV II Limited<br>Pelham Holdings Limited<br>Pelham Homes Developments Limited<br>Pelham Homes Limited<br>Pharmacy Partners PLC<br>Piper Holdings Limited<br>Resource Partners Group Limited<br>Resource Partners PLC<br>S.J.P Protector Company Limited<br>Spencer House Asset Management Limited<br>Spinningfields GP Limited<br>Spinstead Limited<br>Sterling Homes (Midlands) Limited<br>Sterling Homes Limited<br>The Museum of the Port of London and Docklands<br>The Raz Gold Foundation<br>United Jewish Israel Appeal<br>WetenHall Cooper Limited |
| Quentin Spicer                       | AUB General Partner (Guernsey) Limited & AUB Prime Limited<br>Bathgate Property Company Limited<br>Bellegrove Investments Limited<br>Bizspace Management (Jersey) Limited<br>Cambria House Limited<br>Clifton Holdings Limited<br>David Stein Limited<br>Dova Limited<br>European Value & Income Fund Limited<br>Farley Investment Enterprises Limited | Breams Registrars and Nominees Limited<br>Breams Trustees Limited<br>CNC Properties Limited<br>Collins Stewart No. 111 Fund<br>PCC Limited<br>Coolstream Limited<br>Granges International Limited<br>Property Acquisition & Management Ltd (and subsidiaries)<br>Santon International Limited<br>Square Bay General Partners Limited<br>WB Trustees   |

| <i>Director</i>                      | <i>Current directorships/<br/>partnerships</i>  | <i>Past directorships/<br/>partnerships</i> |
|--------------------------------------|---|---|
| Quentin Spicer<br><i>(continued)</i> | Guernsey Housing<br>Association LBG<br>ISIS Property Trust 2 Ltd<br>Lambert Smith Hampton<br>Mercator Group Holdings<br>Limited<br>PINE Trustee (Jersey) Limited<br>Protego Industrial Limited &<br>Protego Industrial (Guernsey)<br>Limited<br>Quintain (Guernsey) Ltd<br>RAB Special Situations Limited<br>Sesame Properties Limited<br>Trustees Limited<br>UBK Opportunity Limited   |   |
| Peter Radford                        | Aberdeen International<br>Assurance (Isle of Man) Ltd<br>Aberdeen International Limited<br>Abroad Spectrum PCC Limited<br>Appleton Capital Protected<br>Fund PCC Limited<br>Astor Investment Holdings<br>Limited<br>Asymmetric Convertible Fund<br>Limited<br>Blackhill Services Limited<br>Bordeaux European Managers<br>Limited<br>Bordeaux International Fund<br>Managers Limited<br>Bordeaux Services (Guernsey)<br>Limited<br>Bordeaux Services Limited<br>Burnbeck Holding SA<br>Carinella Holdings Limited<br>Ecuadorean Holdings Limited<br>Elsingham Investments Limited<br>Emerging Markets Value<br>Realisation Limited<br>EV Capital Partners Limited<br>Gambol Capital Limited<br>Genemar Limited<br>Genesis Asset Managers Limited<br>Genesis Condor Fund Limited<br>Genesis Fund Managers Limited<br>Genesis General Partner Limited<br>Genesis Investments Limited<br>Genesis Pacific Management<br>Limited<br>Genesis Taihei Investments<br>Limited<br>Helene Limited<br>IMR (C.I) Limited | Ackers P Investment Company<br>Limited      |

| <i>Director</i>              | <i>Current directorships/<br/>partnerships</i>  | <i>Past directorships/<br/>partnerships</i>   |
|------------------------------|---|---|
| Peter Radford<br>(continued) | Innerwick Holdings Limited<br>KCI Managers Limited<br>Krypton Commodity Investment<br>Fund Limited<br>Lindenleaf Limited<br>Madrid Holdings Limited<br>MitonOptimal Group Limited<br>MitonOptimal Guernsey<br>Limited<br>Montenegro Investments<br>Limited<br>Mulliford Limited<br>NIF Fund Holdings PCC<br>Limited<br>Nkosi Investments Limited<br>Oakbridge Corporation<br>Ochre Investments Limited<br>Optimal Overlay Fund Limited<br>Oxeye Growth Fund Limited<br>Palm Tree Holdings (No.2)<br>Limited<br>PSG Fund Management (C.I)<br>Limited<br>PSG Investment Services (C.I)<br>Limited<br>Rand Nominees Limited<br>Ravenfield Holdings Limited<br>SFI Holdings (BVI) Limited<br>SP Investments Limited<br>Stuart Investment Holdings<br>Limited<br>The Care Villages PCC Limited<br>The Gilpin Fund Limited<br>Turtel Investment Fund Limited<br>Verity Holdings Limited<br>Verity Life Limited (formerly SG<br>Life (Guernsey) Limited)<br>Warwick Asset Management<br>(Channel Islands) Limited<br>Westmount Investment<br>Holdings Limited<br>WT Partnership Europe Limited |   |
| Richard Barnes               | AAIM Property Fund 1 Limited<br>Ansoll Estates Holdings Limited<br>Ansoll Estates Investments<br>Limited<br>Apus Junior Trustee Company<br>Ltd<br>Apus No3 Junior Trustee<br>Company Limited<br>Apus No4 Junior Trustee<br>Company Limited  | Allanridge Limited<br>Ansoll Estates Limited<br>Apus No6 Junior Trustee<br>Company Limited<br>Apus No7 Junior Trustee<br>Company Limited<br>Apus No8 Junior Trustee<br>Company Limited<br>BFS Managed Properties<br>Limited (Guernsey – listed) |

| <i>Director</i>                        | <i>Current directorships/<br/>partnerships</i>  | <i>Past directorships/<br/>partnerships</i>   |
|--|---|---|
| Richard Barnes<br>( <i>continued</i> ) | Apus No5 Junior Trustee<br>Company Limited<br>Bishopsgate Investment<br>Company Limited<br>Bonneymead Limited<br>Bracknell (Amen Corner)<br>Investment Company Limited<br>Cavendish (Inchinnan) Limited<br>Cavendish No. 1 Limited<br>Crawley Manager Jersey Ltd<br>Giltmate Limited<br>Glasdon Limited Partnership Inc<br>Hardwick Investment Co Ltd<br>Hardwick (Glasgow) Property<br>Company Limited<br>Hardwick GP Limited<br>Haromart Limited<br>Hilltop Estates Limited<br>Hilltop Estates Retirement<br>Benefit Scheme Limited<br>Invesco PIT Limited<br>Invesco UK Property Income<br>Trust Limited<br>John Brown (St Brelade)<br>Limited<br>Kilogate Limited<br>Liverent Limited<br>Pinesgate Investment<br>Company Limited<br>Propinvest 5 Limited<br>Regalwand Limited<br>Spinpride Limited<br>Standard Life Investments<br>(Jersey) Limited<br>Swoffer Barnes Commercial<br>Limited (Guernsey)<br>Swoffers Limited (Guernsey)<br>The Brucefield Estate Trustee<br>Company Limited<br>The Control Centre Limited<br>Partnership<br>The Darien Senior Trustee<br>Company Limited<br>Vega Limited<br>250 Bishopsgate (Holdings)<br>Limited<br>25 North Colonnade Limited | BFS Managed Properties<br>Securities Limited (Guernsey –<br>listed)<br>BFS Managed Properties<br>Holdings Limited (Guernsey)<br>Daiwa Healthcare Property<br>Investment Limited<br>First Croatia Properties Limited<br>Giltmate Limited<br>Grenville Property Management<br>Limited<br>Hilltop Property Management<br>Limited<br>Lagoa Trust Limited<br>Moorfield plc.<br>MSREF (EIQ) 1 Limited<br>MSREF (EIQ) 11 Limited<br>MSREF (EIQ) 111 Limited<br>MSREF (EIQ) 1V Limited<br>MSREF (EIQ) Limited<br>MSREF (Jersey) 1 Limited<br>MSREF (Jersey) 11 Limited<br>MSREF (Jersey) 111 Limited<br>MSREF (Jersey) 1V Limited<br>MSREF (Jersey) Limited<br>The Brucefield Estate Trustee<br>Company Limited<br>Weir Limited |

Quentin Spicer was a director of Breams Trustees Limited until 9 May 2003 and is a director of Mercator Group Holdings Limited. As such in the past five years he has held some 250 directorships of client companies which arose in the normal course of business through his role as a director of those companies.

## 6. Taxation

### *General*

- 6.1 The following information is general in nature and relates only to United Kingdom and Guernsey taxation applicable to the Company and to Shareholders who hold their shares as an investment and who are resident or ordinarily resident in the United Kingdom (except where indicated). The information is based on existing law and practice at the date of this document and may be subject to subsequent change.
- 6.2 Any change in the Company's tax status or in taxation legislation in the United Kingdom or Guernsey or any other tax jurisdiction affecting Shareholders could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders. If you have any doubt as to your tax position, you should consult your own tax adviser.

### *United Kingdom Taxation*

#### 6.3 *The Group*

- 6.3.1 It is the intention of the Directors to conduct the affairs of the Group so that the central management and control of the Company is not exercised in the United Kingdom such that the Company should not be resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Group does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there) or have a main objective of realising a capital gain on the disposal of the properties, the Group should not be subject to United Kingdom income tax or corporation tax other than in respect of certain income deriving from a United Kingdom source.
- 6.3.2 The Company will be subject to United Kingdom tax on rental income arising on its property portfolio after deduction of allowable debt financing costs and other allowable expenses. The Company will apply to HM Revenue and Customs for approval to receive rental income gross.

#### 6.4 *United Kingdom Shareholders*

##### 6.4.1 *Dividends*

United Kingdom resident individual Shareholders will be liable to United Kingdom income tax in respect of dividends received from the Company. No United Kingdom tax credit will be attached to dividends received by Shareholders. United Kingdom resident corporate Shareholders will be liable to corporation tax in respect of dividends received from the Company.

For individual Shareholders liable to income tax at the starting or basic rate, dividends received from the Company will be liable to income tax at the ordinary rate, currently 10 per cent. of the dividend received. For individual Shareholders who are liable to income tax at the higher rate, dividends received from the Company will be subject to income tax at the higher rate, currently 32.5 per cent. of the dividend received (to the extent that, taking the dividend as the top slice of the Shareholder's income, it falls above the threshold for the higher rate of income tax).

United Kingdom resident Shareholders who are not liable to income tax on their income will not be subject to tax on dividends.

##### 6.4.2 *Capital Gains Tax*

The Company, as a closed-ended investment company, should not, at the date of this document, be treated as an offshore fund for the purposes of United Kingdom taxation, and the provisions of Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 (the "Taxes Act") should not apply. Accordingly, Shareholders who are resident or ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch or agency with which

their investment in the Company is connected may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on capital gains realised on the disposal of their Ordinary Shares.

On a disposal of Ordinary Shares by an individual Shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes, the Ordinary Shares may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Ordinary Shares have been held. Shareholders who are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

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

No United Kingdom Stamp Duty or Stamp Duty Reserve Tax is payable on the issue of Ordinary Shares or, generally, on a transfer of or agreement to transfer Ordinary Shares.

#### 6.4.4 *Other United Kingdom Tax Considerations*

A United Kingdom resident corporate Shareholder who, together with connected or associated persons, has an interest in the Company such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits in accordance with the provisions of the controlled foreign companies legislation contained in Chapter IV of Part XVII of the Taxes Act. These provisions only apply if the Company is controlled by United Kingdom residents and will not apply in accounting periods in which the Company and the Subsidiary pursue an acceptable distribution policy (that is, each company distributes at least 90 per cent. of its net chargeable profits arising in each accounting period).

Individual Shareholders ordinarily resident in the United Kingdom should note the provisions of sections 739 to 745 of the Taxes Act which may render them liable to taxation in respect of any undistributed income and profits of the Company. These provisions seek to prevent avoidance of income tax by transactions resulting from the transfer of assets to persons (including companies) abroad.

The attention of United Kingdom Shareholders resident or ordinarily resident and, if an individual, domiciled in the United Kingdom is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company or the Subsidiary can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares.

### *Guernsey Taxation*

#### 6.5 *The Company*

6.5.1 The Company is eligible to apply, and has applied, for an exemption from income tax in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (the "*Tax Ordinance*"). Under the provisions of the Tax Ordinance, exemption is granted by the States of Guernsey Treasury and Resources Department (which has taken over the functions of the Guernsey Income Tax Authority) (the "*Administrator of Income Tax*") on an annual basis provided the Company continues to comply with the requirements of the Tax Ordinance and upon the payment of an annual fee which is currently fixed at £600. It is the intention of the Administrator to conduct the affairs of the Company so as to ensure that it retains such exempt status (which is granted on an annual basis) subject to any changes brought about by adherence to the European Code of Conduct as described below.

- 6.5.2 Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a Dwellings Profits Tax), gifts, sales or turnover, nor are there any estate duties (save that *ad valorem* fees are payable in respect of the grant of any probate).
- 6.5.3 There is a liability to document duty at the rate of 0.5 per cent. (subject to a minimum of £50 and to a maximum of £5,000) on the nominal value of the Company's authorised share capital payable on incorporation and on any subsequent increase in the nominal value of the authorised share capital. No stamp duty is chargeable in Guernsey on the issue, transfer, conversion or redemption of Shares.
- 6.5.4 The States of Guernsey have announced that the island's corporate income tax regime is to be reformed with effect from 2008. Although much of the detail about this reform has not yet been finalised, the tax exempt status of closed-ended collective investment schemes such as the Company is unlikely to change.

## 6.6 *Shareholders*

- 6.6.1 Investors other than those investors resident in Guernsey are not subject to any tax in Guernsey in respect of any Shares owned by them. Guernsey income tax will not be deducted from dividends (if any) payable in respect of Shares held by or on behalf of residents of Guernsey. The Company is obliged, however, to furnish such particulars of any distribution to the Administrator of Income Tax as the Administrator of Income Tax may require. No other deductions are made in respect of Guernsey tax.
- 6.6.2 Other than as described below under "*European Union*", no withholding tax is payable in Guernsey in respect of Shares held by persons resident outside Guernsey.

### *European Union taxation*

- 6.7 The European Union member states have implemented the European Savings Directive (2003/48/EC) (the "*Directive*") into their respective national laws, with effect from 1 July 2005. The Directive requires that paying agents in a member state provide to the tax authorities details of payments of interest or other similar income paid by them to, or secured by them for the immediate benefit of, an individual resident in another member state (provided that paying agents based in Belgium, Austria and Luxembourg may instead of providing such information operate a withholding tax system in relation to such payments).

The Directive is conditional on all EU member states, all named third countries (Switzerland, San Marino, Monaco, Andorra and Liechtenstein) and all associated and dependent territories of EU member states (the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean) also implementing equivalent measures.

Guernsey is not subject to the Directive. However, the States of Guernsey, in keeping with its policy of constructive international engagement, has introduced a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU member state by a paying agent situated in Guernsey (the terms "beneficial owner" and "paying agent" are defined in the Directive). The retention tax system will apply for a transitional period prior to the implementation of a system of automatic communication to EU member states of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU member state will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU member state in which the beneficial owner is resident.

In order to give effect to these measures, Guernsey has entered into bilateral agreements (the "*Agreements*") with the twenty five EU member states. The Agreements will only apply to relevant interest payments when these payments are made by a paying agent situated in Guernsey.

Under the terms of the Agreements, relevant interest payments can include distributions out of certain collective investment schemes and the proceeds of the sale or redemption of shares or units in certain collective investment schemes. In respect of collective investment schemes that are established in Guernsey, such as the Company, these provisions can only apply to schemes that are equivalent to a UCITS (an undertaking for collective investment in transferable securities established in accordance with EU Directive 85/611/EEC). The States of Guernsey have issued guidance notes on the implementation of the Agreements that confirm this point and on 1 July 2005, published a supplementary note to the guidance notes that states that a collective investment scheme established in Guernsey will only be considered to be equivalent to a UCITS if it is a Class A Scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Company is not a Class A Scheme, therefore, under the current guidance, when distributions or the proceeds of redemptions are paid by a Guernsey paying agent (such as the Administrator) these payments will not be subject to withholding tax under the Agreements.

## **7. Working capital**

The Directors are of the opinion, having made due and careful enquiry and having regard to the proceeds of the Placing, that the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least the next 12 months.

## **8. Litigation**

There are no governmental, legal or arbitration proceedings which may have or have had a significant effect on the Company's or the Group's financial position or profitability (and the Company is not aware of any such proceedings which are pending or threatened).

## **9. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the period of two years preceding the date of this document and are or may be material:

- 9.1 The Placing Agreement dated 22 March 2006 between the Company (1) the Property Adviser (2), the Directors (3) and Collins Stewart (4) under which Collins Stewart has agreed (conditionally, among other things, on Admission becoming effective not later than 27 March 2006 or such later date as Collins Stewart and the Company may agree) to use its reasonable endeavours to procure places in the Placing for up to 122,500,000 Ordinary Shares. In consideration of these services, the Company has agreed to pay to Collins Stewart a commission of 3 per cent. on the aggregate value, at the Placing Price, of the New Ordinary Shares being issued by the Company.

The Placing is not underwritten. Collins Stewart will receive and hold moneys from the places and, in the event of termination of the Placing Agreement, will return such moneys to the places immediately. Collins Stewart will account to the Company and the Sellers for amounts due to them within two business days after Admission.

The Company has agreed to pay all other costs, charges and expenses of, and incidental to, the Placing and Admission including the fees of the London Stock Exchange, registrars' fees, printing, advertising and distribution expenses, the Company's legal and accountancy expenses and Collins Stewart's legal expenses and all related irrecoverable value added tax, if applicable.

The Company and the Property Adviser have given certain representations and warranties to Collins Stewart as to the accuracy of information in this document and other matters in relation to the Company and the Business. No claims may be made against the Company or the Property Adviser under the representations and warranties unless notice of such claim is made by Collins Stewart on or before the date falling two years after the date of the Placing Agreement. The Company and the Property Adviser have given certain unlimited indemnities to Collins Stewart.

Each of the Directors has given certain warranties to Collins Stewart as to the accuracy of the information concerning such Director set out in this document and otherwise provided to Collins Stewart.

Collins Stewart may terminate the Placing Agreement in certain limited circumstances prior to Admission, including by reason of *force majeure*.

- 9.2 The Property Adviser Agreement dated 22 March 2006 between the Company (1) and the Property Adviser (2) pursuant to which the Property Adviser has been appointed, conditional upon Admission, to provide certain advisory and management services to the Company.

The Property Adviser's advisory services include identifying and evaluating opportunities for the Group to purchase, develop, refurbish or otherwise improve property in the Target Area. In addition, the Property Adviser will advise the Group on its opportunities to realise value from the sale of any property within the Group's property portfolio. In providing these services, the Property Adviser is required to apply the Company's investment strategy (summarised in Part 1 of this document). The Property Adviser's management and letting services cover a comprehensive range of services through which it will be responsible for the letting of the Group's properties and the day-to-day management of the Group's property portfolio. The Property Adviser is obliged to provide such management and letting services in accordance with principles of good property management practice and the RICS Regulations (as amended from time to time).

The Property Adviser is entitled to certain fees for providing these services and for the reimbursement of certain of its costs and expenses. The fees due to the Property Adviser are summarised in Part 1 of this document.

The Board retains complete discretion to approve or reject any investment proposal presented by the Property Adviser. Save for limited circumstances, the Property Adviser is not authorised to commit any member of the Group in any way without the prior consent of the Board. These limited circumstances include instructing professional advisers for the purposes of evaluating potential investment opportunities (up to a cost of £50,000 on any one proposal); entering into contracts with a value of up to £250,000; agreeing the terms of any underlease or tenancy arrangement, negotiating and settling any rent review or lease surrender or variation where any such event relates to an underlease or tenancy arrangement of a term of 20 years or less or an annual rental value of £250,000 or less; carrying out refurbishment works on a property within the Group's portfolio up to a value of £500,000; and carrying out any work necessary to remedy a serious and immediate health and safety or environmental risk.

The Property Adviser's obligations do not extend to carrying on any activities which would constitute regulated activities for the purposes of FSMA.

The Property Adviser is liable to the Group for its services under the Property Adviser Agreement only to the extent that such liability arises from the Property Adviser's breach of the terms of the agreement, or from its negligence, bad faith, fraud or wilful default. To the extent that such liability does arise, the Property Adviser has indemnified the relevant member of the Group in respect of that member's loss.

The Property Adviser is indemnified by the Company in respect of any loss it incurs in its role as the Property Adviser, other than in circumstance where its loss arises from the Property Adviser's own breach of the terms of the agreement, or from its own negligence, bad faith, fraud or wilful default.

The Property Adviser Agreement contains provisions which deal with a conflict of interest between the Property Adviser and the Company if such a conflict arises. These provisions are summarised in Part 3 of this document.

Pursuant to the Property Adviser Agreement, the Property Adviser has agreed to provide the Company with a right of first refusal over any investment opportunity located in the Target Area in relation to properties which fit the investment criterion of the Group and which are

valued at £5 million or more (or, in the case of adjacent properties acquired simultaneously or within one month of each other, which taken together have a value of £5 million or more) or where the property is adjacent to any other such opportunity or an existing property owned by a member of the Group. The Company has agreed to release the Property Adviser from such obligation if so requested by the Property Adviser, and if the Company believes it is reasonable to do so. The Company may not unreasonably withhold its consent to such request if the Company does not have any further funds for investment without having to return to Shareholders. The obligation on the Property Adviser to give the Company a right of refusal as described above is subject to a pre-existing obligation of the Property Adviser to give a third party first refusal on industrial property investment opportunities within the M25 motorway.

The Property Adviser's appointment is for an initial period of eight years from the date of Admission and thereafter is terminable by either party on two years' written notice, such notice to expire any time after the end of the initial period. The Property Adviser Agreement can, however, be terminated immediately by the Company if: (i) the Property Adviser becomes insolvent, goes into liquidation, or if an administrator or receiver is appointed over its assets; (ii) the Property Adviser fails to comply to any material extent with the terms of the Property Adviser Agreement (and cannot remedy the same within 30 working days); or (iii) both David Tye and Andrew Wilson cease to be employees and directors of the Property Adviser and/or Rugby Estates. The Property Adviser Agreement can be terminated immediately by the Property Adviser if: (i) the Company becomes insolvent, goes into liquidation, or if an administrator or receiver is appointed over its assets; (ii) the Company fails to comply to any material extent with the terms of the Property Adviser Agreement (and cannot remedy the same within 30 working days).

The Property Adviser Agreement can also be terminated by the Company without notice before expiry of the initial eight year term if, at certain stages, the Group's returns have not achieved certain performance benchmarks. Such termination right is summarised in Part 1 of this document.

9.3 The Administration Agreement dated 22 March 2006 between the Company (1) and the Administrator (2) whereby the Administrator has been appointed, conditional on Admission, to provide administration and secretarial support services to the Company. The Administrator is entitled to receive a fee of 0.025 per cent. of the net asset value of the Group together with an amount equal to 0.025 per cent. of the long term borrowings invested by or on behalf of the Group, calculated quarterly and payable in arrears. Such fees shall be subject to a minimum of £100,000 in respect of the period from Admission until 31 March 2007 and for each consecutive 12 month period thereafter. The Administrator is entitled at any time to give 30 days' notice to the Company of the fees it proposes to charge for periods subsequent to 31 March 2008, provided that no such notice shall be given prior to the date falling two years after Admission. If no agreement is reached on fees to be charged for periods subsequent to 31 March 2008 either party may terminate the agreement on 30 days' notice. The Administrator is also entitled to reimbursement of fees and expenses disbursed by the Administrator on behalf of the Company. The Administration Agreement contains an unlimited indemnity in favour of the Administrator and, among others, its directors and officers against all claims, costs and expenses brought against its indemnified persons, except to the extent such losses arise from the indemnified person's breach of the Administration Agreement the bad faith, negligence, wilful default or fraud of the Administrator or its directors, officers, employees, agents or delegates. The Administration Agreement may be terminated by either party giving to the other not less than 180 days' notice in writing expiring on or at any time after 31 March 2008 or without notice in certain other circumstances including, among others, where one of the other parties commits a material breach of its obligations under the Administration Agreement or becomes unable to pay its debts as they fall due.

9.4 The Custody Agreement dated 22 March 2006 between the Company (1) and the Custodian (2) whereby the Custodian has been appointed, conditional on Admission, to act as custodian of the Company's investments, cash and other assets (excluding any investments,

direct or indirect, in real property). The Custodian is entitled to receive a quarterly fee of 0.0125 per cent. of the Company's assets held in the custody of the Custodian calculated as at specified dates and payable in arrears. Additional fees and charges may be agreed between the Company and the Custodian in relation to any additional services provided. The Custodian is also entitled to reimbursement of fees and expenses disbursed by the Custodian on behalf of the Company. The Custody Agreement contains an unlimited indemnity in favour of the Custodian and, among others, its officers and directors against all claims, costs and expenses brought against the indemnified persons, except and to the extent that the same arise from the indemnified persons' breach of the Custody Agreement, bad faith, negligence, wilful default or fraud. The Custody Agreement may be terminated by either party giving to the other not less than three months' notice in writing expiring on or at any time after the first anniversary of the date of the Custody Agreement or immediately in certain other circumstances including, among others, where the other party commits a material breach of its obligations under the Custody Agreement or becomes unable to pay its debts as they fall due.

- 9.5 An agreement dated 22 March 2006 between the Company and the Property Adviser pursuant to which the Property Adviser has provided advisory services to the Company in relation to the Business. The Company has agreed to pay the Property Adviser a fee equal to one per cent. of the aggregate value, at the Placing Price, of the New Ordinary Shares being issued by the Company in consideration for such advice.
- 9.6 A deed dated 22 March 2006 (the "Lock-in Deed") made between certain of the Directors and Rugby (BVI) Holdings Limited (together the "Covenantors"), the Company and Collins Stewart, pursuant to which, and in compliance with the AIM Rules, each of the Covenantors has agreed conditionally on Admission, that it will not, subject to certain exceptions, prior to the date falling 12 months after the date of Admission (the "Relevant Date"), dispose or agree to dispose of its Ordinary Shares or any additional Ordinary Shares issued to that Covenantor by way of capitalisation of profits or acquired by that Covenantor in the exercise of any right or option granted or arising by virtue of holding those Ordinary Shares. For a further 12 months after the Relevant Date, if the Covenantor wishes to sell any of the Ordinary Shares, that sale shall, subject to certain conditions, be effected by Collins Stewart.
- 9.7 An option agreement dated 22 March 2006 between the Company (1) and Collins Stewart (2) under which the Company has granted Collins Stewart the right to subscribe for up to 1,225,000 Ordinary Shares at the Placing Price, such option being exercisable at any time up to and including the fifth anniversary of the date of grant.
- 9.8 An agreement dated 22 March 2006 between the Company (1) and the Property Adviser (2) pursuant to which, the Company has agreed subject to Admission, to acquire the entire issued share capital of the Subsidiary for a consideration of £1.

## **10. General**

- 10.1 The Nominated Adviser and Broker to the Company is Collins Stewart of 9th floor, 88 Wood Street, London EC2V 7QR. Collins Stewart is a member of the London Stock Exchange and is regulated by the Financial Services Authority.
- 10.2 Ernst & Young LLP, which is a member of the Institute of Chartered Accountants in England and Wales, has been appointed as the Company's first statutory auditors.
- 10.3 The expenses of or incidental to the Placing and Admission are payable by the Company and are estimated to amount to £5.5 million (excluding value added tax), including commissions of £4.9 million.
- 10.4 The total proceeds of the Placing expected to be raised by the Company are £122.5 million and the net proceeds, after deduction of the expenses, are estimated at £117 million.
- 10.5 The Placing Price represents a premium over nominal value of 99p per Ordinary Share.
- 10.6 The International Security Identification Number (ISIN) of the Ordinary Shares is GB00B0XPT375.

- 10.7 Other than the intended application for Admission the Ordinary Shares have not been admitted to dealing on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 10.8 Ernst & Young LLP accepts responsibility for its letter set out in Part 5 of this document and has given and not withdrawn its written consent to the inclusion of it in this document and the references to it and to its name in the form and context in which they appear.
- 10.9 Collins Stewart has given and not withdrawn its written consent to the inclusion of its name in this document and the references to it and to its name in the form and context in which they appear.
- 10.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 10.11 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.
- 10.12 No Director or member of a Director's family has a related financial product referenced to the Ordinary Shares.
- 10.13 There has been no significant change in the financial or trading position of the Company since its incorporation.
- 10.14 No person (other than professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the period from incorporation to the date of this document; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after completion of the Placing any of the following:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of completion of the Placing.
- 10.15 The Ordinary Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. Prior to the despatch of share certificates following the Placing, transfers will be certified against the register of members. The Company has applied to CRESTCo Limited, the operator of CREST, for the Ordinary Shares to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association permit the holding of ordinary shares under CREST. CREST is a voluntary system and holders of ordinary shares who wish to retain share certificates will be able to do so.

## **11. Availability of documents**

Copies of this document are available during normal business hours on any weekday (except Saturdays and public holidays) free of charge from the offices of Collins Stewart and shall remain available for a period of at least one month after Admission.

Dated: 22 March 2006

