

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take you are recommended immediately to seek your own financial advice from an independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000.

Application will be made for the Ordinary Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.

The directors of Zest Group plc, whose names appear on page 5 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

ZEST GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5234262)

Placing of 19,333,333 Ordinary Shares of 0.25p each at 3p per share and Admission to the AIM Market

by

W.H. Ireland Limited Nominated Adviser and Broker

SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PLACING

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
4,000,000,000	£10,000,000	Ordinary Shares of 0.25p each	73,666,668	£184,167

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

W.H. Ireland, which is regulated by the Financial Services Authority, is acting as the nominated adviser and broker for Zest Group plc in connection with the Placing and the proposed Admission and is not acting for any person other than Zest Group plc and will not be responsible to any person other than Zest Group plc for providing the protections afforded to its customers or for providing advice to any other person in connection with the admission document.

It is expected that Admission will occur and that trading in the Ordinary Shares will commence on 24 March 2005.

Copies of this document will be made available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the offices of Charles Russell at 8-10 New Fetter Lane, London EC4A 1RS and W.H. Ireland at 24 Bennetts Hill, Birmingham B2 5QP and shall remain available for at least 14 days after the date of Admission.

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

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

CONTENTS

	<i>Page</i>
Definitions	3
Directors, Secretary and Advisers	5
Expected Timetable of Principal Events	6
Placing Statistics	6
Placing Commitment	6
PART I Information on the Company	7
Introduction	7
Industry background	7
The Market	8
The Zest strategy	8
Current Trading and Future Prospects	9
Directors and Key Management	9
Directors' Interests and Lock-in Agreements	10
Dividend Policy	10
Corporate Governance	10
Reasons for the Placing and Admission	11
Details of the Placing	11
Second Fundraising	12
Share Option Scheme	12
Taxation	12
Settlement, Dealings and CREST	12
PART II Risk and Other Factors	13
PART III Accountants' Report on Zest Group plc	15
PART IV Additional Information	21

DEFINITIONS

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

“Act”	the Companies Act 1985, as amended;
“Admission”	the admission of the existing Ordinary Shares and Placing Shares to trading on AIM;
“Admission Document”	this document dated 17 March 2005;
“AIM”	the AIM Market of the London Stock Exchange;
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time;
“Articles”	the Company’s articles of association;
“Board” or “Directors”	the directors of the Company, whose names appear on page 5 of this document;
“Combined Code”	the Combined Code of Corporate Governance published in July 2003;
“Company” or “Zest “	Zest Group plc;
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
“London Stock Exchange”	London Stock Exchange plc;
“New Shareholders”	persons who are allotted Placing Shares pursuant to the Placing and who become registered holders thereof;
“Official List”	the Official List of the UKLA;
“Options”	options granted under the Share Option Scheme;
“Ordinary Shares”	ordinary shares of 0.25p each in the capital of the Company;
“Placing”	the proposed placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement between W.H. Ireland, the Directors and the Company, further details of which are set out in paragraph 6.2 of Part IV of this document;
“Placing Price”	3p per Placing Share;
“Placing Shares”	the 19,333,333 new Ordinary Shares to be issued pursuant to the Placing;
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended;
“Santi”	Santi Music Limited of Hannah-Waiver House, PO Box 801, The Valley, Anguilla, British West Indies;

“Share Dealing Code”	the code on dealings in the Company’s securities adopted by the Company;
“Second Fundraising”	the second fundraising of the Company, details of which are set out on page 12 of this document;
“Second Fundraising Shares”	the Ordinary Shares to be issued pursuant to the Second Fundraising;
“Shareholders” or “Members”	holders of issued Ordinary Shares;
“Share Option Scheme”	the Zest Group plc Share Option Scheme, adopted on 7 March 2005 the terms of which are summarised at paragraph 8 of Part IV of this document;
“Treasury Shares”	Ordinary Shares purchased and held by the Company pursuant to the provisions of the Companies (Acquisitions of Own Shares) Regulations 2003;
“UKLA”	the United Kingdom Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services Market Act 2000;
“W.H. Ireland”	W.H. Ireland Limited.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Richard James Griffiths (<i>Executive Chairman</i>) Stephen Weltman (<i>Chief Executive</i>) John William Maundrell (<i>Non-Executive Director</i>) Jonathan Paul Crawley (<i>Non-Executive Director</i>)
Company Secretary all of Registered Office	Kitwell Consultants Limited Kitwell House The Warren Radlett Hertfordshire WD7 7DU
Nominated Adviser and Broker	W.H. Ireland Limited 24 Bennetts Hill Birmingham B2 5QP
Reporting Accountants & Auditor	Grant Thornton UK LLP Enterprise House 115 Edmund Street Birmingham B3 2HJ
Solicitors to the Company	Charles Russell 8-10 New Fetter Lane London EC4A 1RS
Solicitors to the Placing	Eversheds LLP 115 Colmore Row Birmingham B3 3AL
Public Relations Advisers	Holborn Public Relations Limited 12 Nicolas Lane London EC4N 4BN
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date	17 March 2005
Admission effective and dealings in Ordinary Shares expected to commence on AIM	24 March 2005
Expected date for CREST accounts to be credited (in respect of the Placing Shares)	24 March 2005
Expected date for posting of the share certificates for the Placing Shares (where applicable)	4 April 2005

PLACING STATISTICS

Number of existing Ordinary Shares prior to the Placing	51,000,002
Placing Price	3p
Number of new Ordinary Shares being issued under the Placing	19,333,333
Number of new Ordinary Shares being issued to Santi	3,333,333
Percentage of the enlarged issued share capital of the Company held by New Shareholders following completion of the Placing	26.24%
Number of Ordinary Shares in issue immediately following completion of the Placing and Admission	73,666,668
Gross proceeds of the Placing	£580,000
Estimated net proceeds of the Placing	£460,000
Market capitalisation at the Placing Price	£2,210,000

PLACING COMMITMENT

Placees have agreed to subscribe for additional Ordinary Shares at 7p per share at any time before 28 February 2006, but following notification by the Company. Following this fundraising, and assuming no other shares have been issued prior to such time, the placing statistics will be:

Number of Ordinary Shares prior to the Second Fundraising	73,666,668
Number of new Ordinary Shares to be issued in respect of the Second Fundraising	8,285,714
Number of Ordinary Shares in issue immediately following the Second Fundraising	81,952,382
Gross proceeds of the Second Fundraising	£580,000
Market Capitalisation at the Second Fundraising Price.	£5,736,667

PART 1

INFORMATION ON THE COMPANY

INTRODUCTION

The music industry majors have a history of acquiring innovative independent record labels and music publishers, but over the past 20 years the industry has seen significant consolidation driven, in part, by the desire of these larger companies to acquire such labels, publishers and major acts.

Examples of such consolidations include:

- A&M (sold to PolyGram International Group and now part of Universal Music International)
- Atlantic Records (sold to Warner Music International)
- Elektra (sold to Warner Music International)
- Geffen Records (now part of Universal Music International)
- Island Records (sold to PolyGram UK Group and now part of Universal Music International)
- Tamla Motown (now part of Universal Music International)
- Virgin Music Group (sold to Thorn EMI)

The corporate record labels and their music publishing divisions continue to undergo consolidation. Examples of such changes include the recent merger of Sony Music with Bertelsmann Music Group (“BMG”), the recent disposal by Time Warner of its music arm and the two failed merger attempts by the EMI Music Group with Warner Music International and BMG.

However, in the current environment, mergers have often been driven by a desire to reduce the cost base. Thus, companies have cut artist rosters and continue to seek paths that will further reduce overheads. The casualties of these moves are generally artists of a so-called “mid-level” status and new talent. At the same time, technological change is reducing both the cost of recording music and, through the internet, the cost of marketing and distribution.

The Directors believe that these changes have significantly increased the opportunities for:

- the acquisition of publishing catalogues, production companies and independent record labels;
- signing mid-level artists who are struggling to retain their positions with larger companies; and
- procuring new talented artists, many of whom are being ignored by the large corporates.

Upon Admission, Zest will have acquired certain recording and publishing rights and will be in the course of recording an album for a new female artist which is expected to be launched later this year. The funds raised by the Placing are intended to be applied to developing the business, settling existing creditors (including amounts owing to a Director as set out in paragraph 6.5 of Part IV) and to provide working capital.

INDUSTRY BACKGROUND

The economics of the recording and music publishing industry have been affected by various factors, including:

- The generation of consumers born immediately following the end of World War II, the ‘baby boom generation’, which saw the advent of singer/songwriters.
- Consolidation and cost cutting by the larger companies seeking to achieve income whilst reducing costs, resulting in cutbacks in artist rosters and support for new and developing acts.
- Technological development, including the introduction of 45-rpm records, 33 $\frac{1}{3}$ vinyl albums and stereo recording. This initially made recorded music relatively inexpensive and more available to consumers both in the UK and abroad. The invention of the tape cassette gave record companies the ability to sell the same recordings to consumers in a different format. This was followed by the invention of compact discs in the 1980s, providing the opportunity to sell new and previously recorded material in a new and more expensive format.

With increased availability of mid-level and new artists and a reduction in the cost of recording and distribution due to technological advances, the Directors believe that there is an opportunity to develop a small recording/publishing company that will work closely with its artists and actively seek to maximise their revenue through the negotiation of rights including distribution (electronic and physical), transcription and synchronisation (the use of music with visual images such as advertisements and film).

THE MARKET

Music publishing income has maintained a steady growth trend over the last five years with the advent of formats such as CD, DVD, music television and digital formats such as MP3 files.

In the year ended 30 September 2004, album sales in the UK reached a record of 237 million, signaling that the music industry downturn may be over. In November 2004, the British Phonographic Industry (“BPI”) stated that physical music sales in the UK rose by 3 per cent. to 51.9 million albums in the three months to 30 September 2004, which lifted total sales in value terms to £1.22 billion over the year, an increase of 2.7 per cent. over the same period in the previous year.

During the third quarter of 2004, approximately 1.75 million tracks were purchased via the internet compared with 7.3 million physical singles.

The BPI stated that music DVD’s were driving growth, with sales rising by 52 per cent. year on year during the third quarter. In 2004, DVD sales accounted for 4 per cent. of the music market.

THE ZEST STRATEGY

The Directors intend to target publishing catalogues and artists who have already demonstrated a degree of success and the ability to generate profits. They also intend to acquire new artists together with their music publishing rights.

The Directors believe that the following points will be key to the development of the Company’s business:

Concentrating on a small roster of promising and successful artists

This is intended to ensure that the music publishing catalogues and artists who sign with Zest receive full management attention, not only in the core areas of recording and publishing, but also in areas such as marketing, the maximisation of revenues from licensing, synchronisation, concert appearances and sponsorship, and the use of artists’ recordings in other contexts such as ring tones for mobile telephones, films and television.

Maintaining tight cost control

This should be achieved by the use of a small but experienced senior team, which will focus on utilising current technologies to achieve savings in office overhead and in recording, distribution and marketing costs. The team will also seek opportunities for synergies between both recording and publishing clients/catalogues to maximise cost savings, for instance through the use of shared recording software facilities and, where appropriate, distribution and marketing.

The experience and quality of the management team

The Directors believe that industry knowledge and contacts are essential both to identify the right artists and publishing catalogues and to negotiate appropriate terms for licensing, distribution and publishing contracts. The Directors and key management, details of whom are set out on page 9 of this Part I, have extensive experience within the music recording and publishing industry.

By maintaining tight cost controls and effective management of artists, the Directors believe that the Company will be able to achieve better returns than would be available to larger recording/publishing houses and that this, in turn, will make the Company more attractive to other artists.

CURRENT TRADING AND FUTURE PROSPECTS

Since incorporation, the Company has completed the base level recordings for a new female artist for an album which is expected to be completed in the spring of 2005 and launched later in the year.

The Company has agreed, conditionally upon Admission, to acquire from Santi current and future publishing copyrights in respect of the works of two song writers.

In addition the Company has agreed, conditionally upon Admission, to acquire from Santi copyrights and master recordings in respect of an established reggae artist together with options for his next four albums.

At the date of this document the Company has paid up nominal share capital of £127,500 and cash resources of £1,288. Following completion of the Placing it will have paid up nominal share capital of £184,167 and estimated cash of £461,288.

DIRECTORS AND KEY MANAGEMENT

Directors

The Board comprises four directors as follows:

Richard Griffiths (age 39) Executive Chairman

Richard has, since 1996, been a strategic investor in small private companies in various sectors, including insurance, rehabilitation technology, e-commerce, fuel cards, telecoms and the music industry and holds a number of directorships in quoted and unquoted companies. He is currently a director of Bidtimes plc, and Corvus Capital Inc., both of which are quoted on AIM.

Stephen Weltman (age 55) Chief Executive

Stephen commenced his career at Brian Epstein's Nems Enterprises when its artists included The Beatles, Cilla Black and other 1960s performers. Between 1970 and 1975 he was sales and marketing manager of Charisma Records, involved in launching the careers of artists including Genesis and Monty Python. During this period he was responsible for creating the first UK sponsorship deal with Scottish & Newcastle Breweries for Lindisfarne.

In 1977 he became international manager and head of UK contemporary marketing for RCA Records where he received a first-of-its-kind gold disc for "Outstanding Management Achievement" for his work with Elvis Presley and, among others, worked alongside David Bowie and Bonnie Tyler. In 1981 he returned to Charisma Records and in 1982 became managing director. In this period his roster of artists included Peter Gabriel, Genesis, Malcolm McLaren and The RockSteady Crew.

In 1983 he signed Julian Lennon to his first record and publishing contracts. Lennon's debut album "Valotte" (1984) is the highest selling debut album in Charisma's history, achieving Platinum status in the USA (for sales over 1 million). The success of the Charisma label attracted purchasers and in 1985 its owner, Tony Stratton Smith, sold the company to Richard Branson's Virgin Music Group.

In 1986 he set up his own producer management company producing records for The Pet Shop Boys, Wet Wet Wet, Phil Collins and many other known artists. At the turn of the 1990's he formed Swim Music Limited, and signed artists to many recording and publishing contracts working with labels and publishers including Warner Bros, Thorn EMI, Geffen, Virgin Music and Elektra. In 1998 he set up a record label for Julian Lennon. He also negotiated all pressing, distribution and licensing contracts for the UK and Europe, Japan, Australia and Asian Pacific territories.

Between 2000 and 2003, through his own management consultancy, he provided consultancy services internationally for both major songwriters and publishing catalogues including Jerry Lynn Williams and Urge Music (which wrote 11 songs for Eric Clapton amongst many other acts) and Nazareth, where he represented both the band's album and music publishing catalogues and Donny Markowitz, Oscar winning songwriter of (I've Had) The Time Of My Life from the movie 'Dirty Dancin'.

John Maundrell (age 49) Non-Executive Director

John Maundrell qualified as a Chartered Accountant in 1982 with what is now PricewaterhouseCoopers. Thereafter he spent 13 years as a corporate financier in various investment banks, including NatWest Markets and latterly Rea Brothers Limited of which he was a director, specialising in giving advice to smaller but growing quoted companies. Subsequently he has acted as a consultant to the boards of several private and public companies and has additionally held a number of executive and non-executive public company directorships. He is currently a director of Canisp plc and Conival plc, both of which are AIM quoted companies. Initially, John Maundrell will take responsibility for the Company's finances. Additionally, assistance with accounting matters and financial controls will be available from Kitwell Consultants Limited, the director and executives of which are Chartered Accountants.

Jonathan Crawley (age 48) Non-Executive Director

Jon has been employed in the music industry for 30 years. Throughout that time he has worked for independent and privately owned companies. For the past 22 years he was managing director and part owner of Hit & Run Music (Publishing) Limited until its sale to EMI Music Publishing Limited in May 2004. He was instrumental in the development and success of numerous artists and songwriters, including Julian Lennon, Marillion, Aswad, Right Said Fred, Mike & The Mechanics, Genesis, Kula Shaker, Space and Phil Collins. Between 1992 and 1999 he was also a director of The Charisma Music Publishing Co. Limited.

Details of the Directors' terms of appointment are summarised in paragraph 5 of Part IV of this document.

Key Management:

Anthony Fennell (age 41)

Tony commenced his career as a musician and songwriter in the 1980s playing in local bands, before joining and touring with Edwin Starr, a multi-million record seller. In 1988 he formed his own band, Big Noise, which was signed by Atco Records, a division of Atlantic Records, where he wrote the band's songs and was its lead guitarist/vocalist. In 1990 he joined Ultravox to replace Midge Ure and toured and recorded with Ultravox until the end of 1994, when the opportunity arose to write for American television, film and radio. At that time he took permanent residence in the USA. Tony joined the Company in December 2004 and his responsibilities include working with the Company in the development of new artists and writing songs for acts signed to other labels.

DIRECTORS' INTERESTS AND LOCK-IN AGREEMENTS

The Directors' aggregate interests in Ordinary Shares following the Placing will amount to 12,300,001 Ordinary Shares representing approximately 16.70 per cent of the issued share capital of the Company. The Directors and certain other shareholders have agreed not to dispose of any interests in the securities of the Company within a period of 12 months following Admission, or of any interests in the securities of the Company acquired pursuant to the Second Fundraising within a period of 12 months from admission of the Second Fundraising Shares, save in both cases subject to certain specific circumstances permitted by the AIM Rules.

Further details of these lock-in agreements are set out in paragraph 6.4 of Part IV of this document.

DIVIDEND POLICY

The Company is in early stages of trading and it is, therefore, inappropriate to make a forecast of the likely level of any future dividends.

CORPORATE GOVERNANCE

The Directors are committed to maintaining high standards of corporate governance. The Directors intend, so far as is practicable given the Company's size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and operates a Share Dealing Code for directors and employees.

The Board

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

The Board includes two non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

The audit committee

The audit committee, which upon Admission will comprise John Maundrell and Jonathan Crawley, is to be chaired by John Maundrell and will meet at least twice a year. The committee will review the Company's annual and interim financial statements before submission to the Board for approval. The committee will also review regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the committee will monitor the progress of action taken in relation to such matters. The committee will also recommend the appointment of, and review the fees of, the external auditors.

The remuneration committee

The remuneration committee, which upon Admission will comprise John Maundrell and Jonathan Crawley, is to be chaired by Jonathan Crawley and intends to meet twice a year. It is responsible for reviewing the performance of the executive directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Company. The remuneration committee will also determine allocations of any share options and will be responsible for setting any performance criteria in relation to the exercise of options granted under the Share Option Scheme and any other share option scheme which may be adopted.

REASONS FOR THE PLACING AND ADMISSION

The net proceeds of the Placing, being approximately £460,000, are intended to be applied to developing the business, settling existing creditors (including amounts owing to a Director as set out in paragraph 6.5 of Part IV) and to provide working capital. The Directors believe that the associated benefits of the Placing and Admission include:

(i) Corporate Profile

The public profile of the existing business and any business acquired in the future should benefit from the status of being part of an AIM quoted company.

(ii) Acquisition Consideration

The issue of publicly traded shares as consideration is potentially more attractive to vendors than the issue of non-publicly traded shares and the Directors would intend to finance acquisitions in this way where appropriate.

(iii) Access to Capital Markets

The Company may need to raise further funds in the future to develop its business or to finance any cash element of consideration for acquisitions.

(iv) Incentivisation of Key Staff

The use of publicly traded equity to implement appropriate share option schemes to incentivise directors and employees, as the Company grows.

DETAILS OF THE PLACING

The Company is issuing 19,333,333 new Ordinary Shares pursuant to the Placing at the Placing Price to raise £460,000 (net of expenses). The Placing Shares will represent approximately 26.24% per cent. of the enlarged issued share capital of the Company following the Placing (but before the Second Fundraising) and will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares.

The Company and the Directors have entered into the Placing Agreement with W.H. Ireland. The Placing is not being underwritten. The Placing Shares have been conditionally placed with institutional and other investors. The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms, and Admission becoming effective by 24 March 2005 (or such later time and date as the Company and W.H. Ireland may agree).

In addition to the Placing, Santi will subscribe for 3,333,333 Ordinary Shares at the Placing Price, conditionally upon Admission. These shares will rank *pari passu* in all respects with the existing Ordinary Shares.

Further details of the Placing Agreement are set out in paragraph 6.2 of Part IV of this document.

SECOND FUNDRAISING

The Board intends to raise a further £580,000 before expenses through the issue of a further 8,285,714 Ordinary Shares at 7p per share, to support its ongoing working capital requirements. It is a condition of the Placing that a placee who is allotted shares pursuant to the Placing will be legally bound to subscribe for three further Ordinary Shares at 7p per share for every seven Placing Shares subscribed for pursuant to the Placing. It is a condition of the Second Fundraising that the Placing Agreement has not been terminated in accordance with its terms.

The Directors intend that the Second Fundraising will occur before 28 February 2006 but, subject to this, its precise timing will be a matter for the Company at its sole discretion to decide, taking into account the Directors' estimate from time to time of the anticipated future cash resources required by the business.

SHARE OPTION SCHEME

The Company adopted the Zest Group plc Share Option Scheme on 7 March 2005 and intends to grant options to recruit and or retain directors and key staff.

The Share Option Scheme allows only for the grant of unapproved options which do not require Inland Revenue approval and may be granted at the discretion of the Company. The main provisions of the Share Option Scheme are set out in paragraph 8 of Part IV of this document.

The number of Ordinary Shares which may be issued under the Share Option Scheme and any other share scheme adopted by the Company in any ten year period preceding the date of the grant may not exceed 10% of the ordinary issued share capital of the Company.

On 7 March 2005 Options over an aggregate of 5,100,000 Ordinary Shares were granted under the Share Option Scheme to Richard Griffiths, Stephen Weltman and Anthony Fennell at an exercise price of 3p per Ordinary Share. Further details of the Share Option Scheme are set out in paragraph 8 of Part IV of this document.

TAXATION

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

Due to the anticipated level of royalty income, the Directors do not anticipate that the Company will qualify for EIS relief or that it will be regarded as a qualifying company for the purpose of investment by VCTs.

SETTLEMENT, DEALINGS AND CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 24 March 2005. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. Further information is set out in the placing letters used in connection with the Placing.

PART II

RISK AND OTHER FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt as to the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the risks and other factors described below are the most significant and should be considered carefully together with all the information contained in this document, prior to applying for Placing Shares. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.

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

1. The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Company signing recording artists and/or acquiring recording companies, recording rights, or publishing catalogues which meet the Board's investment strategy. There can be no guarantee that Zest will meet the objectives for which it has been established. The Company may spend some of the funds raised under the Placing on investigating opportunities which are subsequently rejected as being unsuitable. Moreover, the acquisition of businesses can involve significant commercial and financial risks and there can be no certainty that any acquisitions will not have a material adverse effect on operations, results or the financial position of the Company.

2. Requirement for further funds

Funds raised in the Placing may not be sufficient to fund all of the Company's working capital requirements or acquisition objectives. It may be necessary, in addition to the Second Fundraising, to raise additional funding to cover working capital requirements and, where appropriate, all or part of any cash consideration in respect of an acquisition.

If required funds are not available the Company may not be able to fulfil its strategy which could have a material adverse effect on the Company's business, financial condition and prospects.

3. Further issues of shares

The Company may find it necessary, in the future, to raise further capital, in addition to the Second Fundraising, by the issue of new Ordinary Shares at a price which may be less than the Placing Price.

4. Dependence on key personnel and employees

In common with many smaller companies the Company's future success will depend upon its current and future senior management team. Whilst it has entered into contractual arrangements with the aim of securing the services of the Directors and a key employee, details of which are set out in Part IV of this document, the retention of their, and any future directors' or employees', services cannot be guaranteed.

5. Share price effect of sales of Ordinary Shares by a significant Shareholder or Director

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares following expiry of the lock-in period, or the perception by the market that such sales could occur, although it is emphasised that the Directors have no current intention of disposing of any Ordinary Shares held by them at such time.

6. Share price volatility and liquidity

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

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

PART III

ACCOUNTANTS' REPORT ON ZEST GROUP PLC

Grant Thornton 

Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

The Directors
Zest Group plc
Kitwell House
The Warren
RADLETT
Hertfordshire
WD7 7DU

and

The Directors
W.H. Ireland Limited
24 Bennetts Hill
BIRMINGHAM
B2 5QP

17 March 2005

Dear Sirs

ZEST GROUP PLC (“THE COMPANY”)

1 INTRODUCTION

- 1.1 We report on the financial information set out in paragraphs 2 to 7. This financial information has been prepared for inclusion in the Admission Document dated 17 March 2005 of Zest Group plc (the Admission Document).

Basis of preparation

- 1.2 The financial information set out in paragraphs 2 to 7 below is based on the unaudited management accounts of the Company for the period from incorporation on 17 September 2004 to 31 January 2005 and has been prepared on the basis set out in paragraph 3.1 to which no adjustments were considered necessary.

Responsibility

- 1.3 Such unaudited management accounts are the responsibility of the directors of the Company.
- 1.4 The directors of the Company are responsible for the contents of the Admission Document in which this report is included.
- 1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

- 1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

- 1.8 In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the losses and cash flows of the Company for the period ended 31 January 2005 and the state of affairs of the Company at the end of that period.

Consent

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

2 STATUTORY INFORMATION

- 2.1 Statutory information on the Company is as set out on paragraphs 1 and 2 of part IV of the Admission Document.
- 2.2 The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

3 ACCOUNTING POLICIES

3.1 Basis of accounting

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

3.2 Recording costs

Costs incurred in completing recordings for artists are accounted for as pre-payments and accrued income to the extent that it is believed that they will be recovered out of income generated from future album sales.

3.3 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

4 PROFIT AND LOSS ACCOUNT

	Note	Period ended 31 January 2005 £
Administrative expenses		(66,242)
Operating loss		(66,242)
Interest receivable	7.2	245
Loss on ordinary activities before taxation		(65,997)
Taxation	7.3	-
Loss for the financial period transferred to reserves	7.7	(65,997)

There are no recognised gains or losses other than the loss for the period.

All activities are classed as continuing.

5 BALANCE SHEET

	Note	As at 31 January 2005 £
Current assets		
Debtors	7.4	131,482
Cash at bank and in hand		8,303
		<hr/>
		139,785
Creditors: amounts falling due within one year	7.5	(90,782)
		<hr/>
Net current assets and net assets		49,003
		<hr/> <hr/>
Capital and reserves		
Called up share capital	7.6	115,000
Profit and loss account	7.7	(65,997)
		<hr/>
Shareholders' funds	7.8	49,003
		<hr/> <hr/>

6 CASH FLOW STATEMENT

	Note	Period ended 31 January 2005 £
Net cash outflow from operating activities	7.9	(106,942)
Returns on investments and servicing of finance		
Interest received		245
		<hr/>
Net cash outflow before financing		(106,697)
Financing		
Issue of shares		115,000
		<hr/>
Increase in cash in period	7.10	8,303
		<hr/> <hr/>

7 NOTES TO THE FINANCIAL INFORMATION

7.1 Staff costs and Directors' emoluments

Staff costs during the period were as follows:

	Period ended 31 January 2005 £
Directors fees	48,179
Social security	5,878
Pension costs	2,438
	<hr/>
	56,495
	<hr/> <hr/>

The average number of employees during the period was as follows:

	Period ended 31 January 2005 No
Directors	2
	<hr/> <hr/>

7.2 Interest receivable

	Period ended 31 January 2005 £
Bank interest receivable	245
	<hr/> <hr/>

7.3 Corporation tax

In view of the loss incurred in the period there is no charge to corporation tax.

7.4 Debtors

	As at 31 January 2005 £
Other debtors	9,489
Prepayments	121,993
	<hr/>
	131,482
	<hr/> <hr/>

Prepayments represent amounts paid in connection with recording and publishing which are recoverable from revenues when the material is released.

7.5 Creditors: amounts falling due within one year

	As at 31 January 2005 £
Trade creditors	11,953
Accruals	58,329
Other creditors	20,500
	<hr/>
	90,782
	<hr/> <hr/>

7.6 Share capital

	As at 31 January 2005 £
Authorised	
4,000,000,000 ordinary shares of 0.25p each	10,000,000
	<hr/>
Allotted, called up and fully paid	
46,000,002 ordinary shares of 0.25p each	115,000
	<hr/> <hr/>

The Company was incorporated on 17 September 2004 with an authorised share capital of £10,000,000 divided into 4,000,000,000 ordinary shares of 0.25p each, of which two shares were issued at par.

On 18 November 2004 the Company allotted a further 46,000,000 ordinary share of 0.25p each at par. On 24 February 2005 a further 5,000,000 ordinary shares of 0.25p each were issued at 1p per share.

7.7 Profit and loss account

	£
On incorporation	-
Loss for the financial period	(65,997)
	<hr/>
At 31 January 2005	(65,997)
	<hr/> <hr/>

7.8 Reconciliation of movement in shareholders' funds

	Period ended 31 January 2005 £
Loss for the financial period	(65,997)
Issue of shares (see 7.6)	115,000
	<hr/>
Net increase in shareholders' funds	49,003
Shareholders' funds brought forward	-
	<hr/>
Shareholders' funds carried forward	49,003
	<hr/> <hr/>

7.9 Net cash outflow from operating activities

	Period ended 31 January 2005 £
Operating loss	(66,242)
Increase in debtors	(131,482)
Increase in creditors	90,782
	<hr/>
Net cash outflow from operating activities	(106,942)
	<hr/> <hr/>

7.10 Analysis of movement in net funds

	On incorporation £	Cashflow £	At 31 January 2005 £
Cash at bank and in hand	-	8,303	8,303
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7.11 Commitments

There were no capital commitments at 31 January 2005.

7.12 Contingent liabilities

There were no contingent liabilities at 31 January 2005.

Yours faithfully

GRANT THORNTON UK LLP

PART IV

ADDITIONAL INFORMATION

1. THE COMPANY AND ITS SUBSIDIARIES

- 1.1 The Company was incorporated and registered in England and Wales under the Act on 17 September 2004 under the name of Boredale plc with registered number 5234262, as a public company limited by shares under the Act. On 1 March 2005 the Company's name was changed to Zest Group plc.
- 1.2 The principal activity of the Company is to make signings of artists in the music industry and to record and publish recorded music.
- 1.3 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited. On 19 November 2004, the Registrar of Companies issued a certificate to the Company under section 117 of the Act entitling it to commence business and to borrow.
- 1.4 The Company has the following subsidiaries:
- Zest Music Limited;
 - Zest Songs Limited; and
 - Zest Entertainments Limited.

2. SHARE CAPITAL

- 2.1 The Company was incorporated with an authorised share capital of £10,000,000 represented by 4,000,000,000 ordinary shares of 0.25p, of which 2 were issued, fully paid, to the subscribers to the memorandum of association. The following alterations in the issued share capital of the Company have taken place since incorporation:
- (i) On 18 November 2004 the Company allotted a further 46,000,000 Ordinary Shares at par.
 - (ii) On 24 February 2005 the Company allotted a further 5,000,000 Ordinary Shares at 1p per share.
- 2.2 The authorised and issued share capital of the Company (i) as at the date of this document; (ii) following completion of the Placing (assuming a maximum of 19,333,333 Placing Shares are issued and 3,333,333 Ordinary Shares are issued as described in paragraph 6.5 of this Part IV) and (iii) following completion of the Second Fundraising (assuming no further Ordinary Shares have been issued by such time other than the Placing Shares) is expected to be :

	Authorised			Issued fully paid	
	number	£		Number	£
(i)	4,000,000,000	10,000,000	Ordinary Shares	51,000,002	127,500
(ii)	4,000,000,000	10,000,000	Ordinary Shares	73,666,668	184,167
(iii)	4,000,000,000	10,000,000	Ordinary Shares	81,952,382	204,881

- 2.3 The Company has granted W.H. Ireland an option over 193,333 Ordinary Shares, exercisable from Admission and an option over 82,857 Ordinary Shares conditional *inter alia* upon completion of the Second Fundraising, the terms of which are summarised in paragraph 6.3 below.
- 2.4 Save as disclosed in paragraphs 2.3 above and 6.5 and 8 below and in respect of the Second Fundraising no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.
- 2.5 By a special resolution dated 24 February 2005 the Directors were generally unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value of £180,857 (representing approximately 50 per cent. of the enlarged share capital after the issue of the Placing Shares, the Second Fundraising Shares, the Ordinary Shares to Santi and assuming the exercise of all the options granted to W.H. Ireland), such authority to expire on 24 February 2010. The Directors were also empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to (i) the allotment of up to 3,333,333 equity securities to Santi (or such person or entity as Santi may nominate), (ii) the allotment of

equity securities pursuant to the Placing and the Second Fundraising Shares, (iii) the grant of options over 276,190 equity securities to W.H. Ireland, (iv) the allotment of equity securities by way of a rights issue or other offer in proportion (as nearly as may be) to their existing holdings and (v) in respect of any other issue up to an aggregate nominal value of £41,115 (representing approximately 20 per cent. of the enlarged share capital after the issue of the Placing Shares, the Second Fundraising Shares, the Ordinary Shares to Santi and assuming the exercise of all the options granted to W.H. Ireland) such authority to expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months after the date of the resolution.

3 MEMORANDUM AND ARTICLES OF ASSOCIATION

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

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

3.1 Voting Rights

Subject to disenfranchisement in the event of:

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

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

3.2 Dividends

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

3.3 Distribution of assets on liquidation

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

3.4 Transferability of Ordinary Shares

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

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares (not being fully-paid shares), provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or made to or by an infant or patient within the meaning of the Mental Health Act 1983.

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

3.5 Variation of rights

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

3.6 Changes in capital

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

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

3.7 Untraced Shareholders

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

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

3.8 Non-UK Shareholders

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

3.9 Sanctions on Shareholders

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the Company then in issue, or any class thereof, the sanctions which may be applied by the

Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

3.10 Directors Fees

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

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

3.11 Directors' Interests

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

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

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

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

3.12 Directors' Interests in Transactions

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

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

3.13 Retirement Age

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

3.14 Qualification Shares

The Directors are not required to hold qualification shares.

3.15 Retirement

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

3.16 Executive Office

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

3.17 Borrowing Powers

Subject to the Act, the Directors may exercise all powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

4. DIRECTORS' AND OTHER INTERESTS

4.1 The interests of the Directors (including the interests of their spouses and infant children and the interests of any persons connected with them within the meaning of Section 346 of the Act), all of which are beneficial, in the issued share capital of the Company which have been notified to the Company pursuant to Sections 324 to 328 of the Act, as at the date of publication of this document and as they are expected to be immediately following completion of the Placing and as they are expected to be immediately following completion of the Second Fundraising (assuming no further Ordinary Shares have been issued by such time other than the Placing Shares and the Second Fundraising Shares) are as follows:

Name	Present		Following the Placing		Following the Second Fundraising		
	Ordinary Shares	%	Ordinary Shares	%	Ordinary Shares over which Options Granted	Ordinary Shares	%
Richard Griffiths	10,000,000	19.61	10,000,000	13.57	1,275,000	10,000,000	12.20
Stephen Weltman	1	-	1	-	2,550,000	1	-
John Maundrell	2,300,000	4.51	2,300,000	3.12	-	2,300,000	2.80
Jonathan Crawley	-	-	-	-	-	-	-

- 4.2 Save as disclosed in paragraph 4.1 above, none of the Directors has any interests in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of Section 346 of the Act) have any such interests, whether beneficial or non-beneficial.
- 4.3 None of the Directors or any person connected with them (within the meaning of Section 346 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).
- 4.4 In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

Name	Current Directorships	Past Directorships
Richard Griffiths	Bidtimes Plc Venture Resource Limited Finlane Limited Corvus Capital Inc. 3 Way Supplies Limited	Microline Enterprises Limited (Dissolved) Westmid Holdings Limited (Dissolved) Westmid Properties Limited (Dissolved) Open Communications Group Limited (Dissolved) RG Consultants Limited (Dissolved) Lumadan Estates Plc (Dissolved) Romulus Group Plc (Dissolved) Expo Communications Limited Firefly Securities Limited (Dissolved) S Griffiths & Sons Limited (Liquidation) SRS Technology Limited Corum Limited Schemerecall Limited Westmid Insurance Brokers Limited Romulus Equity Investments Limited (Dissolved) Greyhound Corporation Limited (Dissolved)
Stephen Weltman	Santi Music Limited*	From Another Room Limited (Dissolved)
John Maundrell	Canisp plc Corbie Sike & Co. (partnership) Conival plc	Aviation Partners Worldwide plc Gaming Corporation plc Merchant House Group plc Tolmount Limited
Jonathan Crawley	Visionary Management Limited Visionary Music Productions Limited Visionary Music Publishing Limited	Hit & Run Music (Publishing) Limited The Charisma Music Publishing Co Limited Hit & Run Music Limited

* Santi Music Limited is a company registered in England and Wales and is not connected with Santi, which is a company registered in Anguilla, British West Indies.

- 4.5 In 1991, Griffiths Group Services Limited, an export packaging and transport company run by Richard Griffiths' father and of which Richard Griffiths was a non-executive director, went into creditors' voluntary liquidation with a deficiency of approximately £600,000. In 1993, Westmid Transport Services Limited, a transport company run by Richard Griffiths' father and of which Richard Griffiths was also a non-executive director, went into creditors' voluntary liquidation with a deficiency of approximately £195,000. In 2000 Westmid Properties Limited, a property investment company of which Richard Griffiths was a director went into creditors' voluntary liquidation with a deficiency of approximately £94,000. In January 2001, Romulus Equity Investments Limited, an investment company of which Richard Griffiths was a director, went into creditors' voluntary liquidation with ultimately no deficiency to creditors.

- 4.6 Save as disclosed in paragraph 4.5 above, no Director:
- 4.6.1 has any unspent convictions in relation to indictable offences; or
- 4.6.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
- 4.6.3 has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- 4.6.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- 4.6.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- 4.6.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.7 Save as disclosed in paragraph 4.1 above, and as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company as at the date of the publication of this document and immediately following completion of the Placing and following completion of the Second Fundraising (assuming no further Ordinary Shares have been issued by such time other than the Placing Shares and the Second Fundraising Shares):

Name	Present		Following the Placing		Following the Second Fundraising	Following the Second Fundraising	
	Ordinary Shares	%	Ordinary Shares	%		Ordinary Shares	%
Corvus Capital Inc.	11,000,000	21.57	11,000,000	14.93	nil	11,000,000	13.42
Lynx Capital Management Limited*	9,000,000	17.65	9,833,333	13.35	nil	10,190,476	12.43
A. Wills & Co	nil	-	6,666,667	9.05	nil	9,523,810	11.62
Azina Limited**	9,000,000	17.65	9,000,000	12.22	nil	9,000,000	10.98
Killik & Co	nil	-	3,333,333	4.52	nil	4,761,904	5.81
Christopher Draysey	3,500,000	6.86	4,333,333	5.88	nil	4,690,476	5.72
Solent Nominees Limited	nil	-	3,000,000	4.07	nil	4,285,714	5.23
Santi Music Inc.	-	-	3,333,333	4.52	nil	3,333,333	4.07
Annakita Limited	2,000,000	3.92	2,000,000	2.72	nil	2,000,000	2.44
Pinnette Limited	2,000,000	3.92	2,000,000	2.72	nil	2,000,000	2.44

* the beneficial owner of Lynx Capital Management Limited is Efthalia Markessini

** the beneficial owner of Azina Limited is Joanna Barrett

- 4.8 There have been no loans made or guarantees granted or provided by any member of the Company to or for the benefit of any Director which are outstanding.
- 4.9 Save as disclosed in paragraph 6.6 below, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company or any of its subsidiaries and remains in any respect outstanding or unperformed.

5. DIRECTORS' TERMS OF APPOINTMENT AND SERVICE AGREEMENTS

5.1

- (a) Stephen Weltman has entered into a service agreement with the Company with effect from 1 November 2004. He is entitled to an initial salary of £65,000 (to be reviewed annually). He is also entitled to pension contributions of 15 per cent. of his basic salary per annum, a car allowance and to be reimbursed for contributions to medical insurance, disability insurance and life assurance. The contract is for an initial term of 2 years and after the first year is terminable upon twelve months' notice by either party. The agreement contains, *inter alia*, provisions regarding confidentiality, intellectual property, restrictions during employment and post-termination restrictive covenants applicable for 6 months following termination of employment. He is entitled to a bonus of £20,000 in respect of each of the first four signings or acquisitions by the Company.
- (b) Richard Griffiths has entered into a service agreement with the Company with effect from 1 November 2004. He is entitled to an initial salary of £24,000 (to be reviewed annually). He is not entitled to any benefits. The contract is terminable upon twelve months' notice by either party. The agreement contains, *inter alia*, provisions regarding confidentiality, intellectual property, restrictions during employment and post-termination restrictive covenants applicable for 6 months following termination of employment.
- (c) John Maundrell has entered into a letter of appointment with the Company to act as a non-executive director with effect from 1 November 2004. His appointment is for an initial period of 3 years subject to three months' notice by either party and is also subject to the provisions of the Company's articles of association. He will receive £12,000 per annum, payable in monthly instalments in arrears. He is not entitled to any contractual benefits and is subject to confidentiality obligations and provisions relating to conflicts of interest. He is additionally entitled to a bonus of £20,000 payable upon Admission.
- (d) Jonathan Crawley has entered into a letter of appointment with the Company to act as non-executive director with effect from the date of Admission. His appointment is for an initial period of 3 years subject to three months notice by either party and is also subject to the provisions of the Company's Articles of Association. He will receive £12,000 per annum, payable in monthly installments in arrears. He is not entitled to any contractual benefits and is subject to confidentiality obligations and provisions relating to conflicts of interest.

5.2 Save as disclosed in paragraph 5.1 of this Part IV there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

5.3 The estimated aggregate remuneration payable and benefits in kind to be granted to the Directors for the current financial period ending 30 September 2005 under the arrangements in force at the date of this document is £120,000 excluding bonus payments referred to in paragraphs 5.1(a) and 5.1 (c) above.

6. MATERIAL CONTRACTS

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

- 6.1 On 20 January 2005, the Company entered into an agreement with W.H. Ireland under which W.H. Ireland agreed to act as the Company's Financial Adviser and Nominated Adviser and Broker and to advise and assist the Company in respect of Admission and thereafter on an ongoing basis until terminated by six months' notice by either party. The agreement contains indemnities and warranties given by the Company to W.H. Ireland. In respect of acting as the Company's Financial Adviser on Admission, W.H. Ireland will receive a corporate finance fee of £25,000. In respect of its ongoing nominated adviser and broker services, W.H. Ireland will receive an annual retainer of £25,000 per annum.
- 6.2 On 17 March 2005, the Company and the Directors entered into the Placing Agreement with W.H. Ireland whereby W.H. Ireland has conditionally agreed to use its reasonable endeavours (as agent for the Company) to procure subscribers for the Placing Shares and Second Fundraising Shares. The Placing Agreement is conditional, *inter alia*, upon Admission and the Second Fundraising is conditional, *inter alia*, upon the Placing Agreement not having been terminated. The Placing Agreement may be terminated by W.H. Ireland at any time before Admission for, *inter alia*, a material breach of warranty or the

occurrence of certain specified events of force majeure. Termination of the Placing Agreement or its failure to become unconditional in respect of the Second Fundraising after Admission will result in only the Second Fundraising being terminated. The Company and the Directors have given certain warranties and indemnities as to the accuracy of the information contained in this document and other matters relating to the Company and its business. In addition to the corporate finance fee of £25,000 referred to in paragraph 6.1 above, the Company will pay W.H. Ireland's costs and expenses. The Company has also conditionally granted W.H. Ireland certain options over 276,190 Ordinary Shares (the terms of which are summarised in paragraph 6.3 below). The Company will be responsible for all other costs and expenses of the application for Admission.

- 6.3 Pursuant to an option deed entered into by the Company and W.H. Ireland dated 17 March 2005, the Company has agreed conditionally upon Admission to create and issue an option to W.H. Ireland to subscribe, at the Placing Price, for 193,333 Ordinary Shares ("the First Option"). Under this deed, W.H. Ireland has, subject to the Second Fundraising proceeding, also been granted an option over 82,857 Ordinary Shares at 7 pence per share ("the Second Option"). The First Option is exercisable at any time until three years from Admission and the Second Option is exercisable at any time within three years from the date of the Second Fundraising.
- 6.4 Each of Richard Griffiths, Stephen Weltman, John Maundrell, Anthony Fennell, Santi, Azina Limited, Corvus Capital Inc. and Lynx Capital Management Limited have covenanted to the Company and W.H. Ireland pursuant to individual deeds of restriction with the Company and W.H. Ireland all dated 17 March 2005 (save in the case of Santi, the deed is dated 1 March 2005) that they will not directly or indirectly transfer, sell or otherwise dispose of the legal or beneficial ownership of any Ordinary Shares and Options held by them during the period of twelve months following Admission, save in certain circumstances permitted by the AIM Rules ("the First Restriction"). In addition any Ordinary Shares acquired by the covenanting parties pursuant to the Second Fundraising will be subject to the same restriction for twelve months from the date of admission of the Second Fundraising Shares ("the Second Restriction"). The First Restriction applies to in aggregate 45,466,667 Ordinary Shares held at Admission and the Second Restriction will apply to a further 45,823,810 Ordinary Shares after Second Admission. In each case the parties have also agreed that for a period of twelve months after the expiry of the respective period, that they will only sell or dispose of any Ordinary Shares through W.H. Ireland (or the Company's broker from time to time) in order to maintain an orderly market. These deeds apply, currently, to in aggregate 45,466,667 Ordinary Shares held at Admission.
- 6.5 On 3 March 2005 the Company entered into an agreement with Santi pursuant to which Santi agreed, inter alia, to assign the songs written by Tony Fennell, Richard Griffiths and Nasio Fontaine and the songwriter and recording artist agreements which it has entered into with Nasio Fontaine. The exclusive songwriter agreements that Santi has with each of Richard Griffiths and Tony Fennell are to be terminated and new agreements on substantially the same terms are to be entered into by each of the artists with the Company. In consideration of this the Company has agreed, conditional upon Admission, to pay Santi US\$292,000. Furthermore, in the period 31 March 2005 to 31 March 2010 the Company has also agreed to pay Santi 5% of the net monies received from songs written by each of Tony Fennell and Richard Griffiths. Additionally, also conditional upon Admission, Santi has agreed to subscribe for 3,333,333 Ordinary Shares at 3p per share.
- 6.6 On 28 February 2005 the Company entered into an agreement with Richard Griffiths under which Richard Griffiths provided an interest free facility of up to £30,000 to be repaid from the proceeds of the Placing,

7. TAXATION

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on existing law in force in the UK and what is understood to be current Inland Revenue practice. It is intended as a general guide only and applies to Shareholders who are resident in the UK (except to the extent that specific reference is made to Shareholders resident outside the UK), who hold the Ordinary Shares as investments and who are the absolute beneficial owners of those Ordinary Shares.

Any Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the UK should consult their professional advisers immediately. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may affect benefits of investment in the Company. This summary is not exhaustive and does not generally consider tax relief or exemptions.

7.1 Taxation of Dividends

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

7.1.1 UK Resident Individual Shareholders

An individual UK resident shareholder is currently entitled to a tax credit in respect of the dividend (the “associated tax credit”), that can be set off against the total liability to UK income tax. The amount of the associated tax credit is equal to one-ninth of the cash dividend received. The aggregate of the cash dividend and the associated tax credit (the “gross dividend”) will be included in the Shareholder’s income for UK tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, an individual UK resident Shareholder receiving a cash dividend of £90 will be treated as having received income of £100, which has the associated tax credit of £10 attached to it.

An individual UK resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the “Schedule F ordinary rate” of 10% against which he can set off the tax credit. As a consequence, such a Shareholder will have no further liability to account for income tax on the cash dividend received.

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

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

7.1.2 Trustees of UK Resident Trusts

For dividends paid to Trustees of UK resident discretionary or accumulation trusts, the gross dividend will be subject to UK income tax at the “Schedule F trustee rate” of 32.5%. To the extent that the associated tax credit exceeds the Trustees’ liability to account for income tax, the trustees will have no right to claim repayment of the associated tax credit. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

7.1.3 UK Resident Corporate Shareholders

A UK resident corporate Shareholder (other than a share dealer) will not generally be liable for corporation tax on any dividend received.

7.1.4 UK Resident Pension Funds and Charities

UK pension funds and charities are not subject to tax on dividends which they receive. Neither are they generally entitled to claim repayment of the associated tax credit.

7.1.5 Non-resident Shareholders

A Shareholder not resident in the UK for tax purposes is not generally entitled to an associated tax credit in respect of a dividend received. However, such a non-resident Shareholder may be entitled to a payment from the UK Inland Revenue of a proportion of the associated tax credit in respect of dividends paid to him under a double tax treaty between the UK and the country in which the Shareholder is resident for tax purposes. Non-resident Shareholders may be subject to foreign tax on the dividend income received from the Company. Such non-resident Shareholders should consult their own professional tax advisers on the incidence of tax in the country in which they are resident for tax purposes, as to whether they are entitled to the benefit of any associated tax credit and the procedure for claiming repayment.

7.2 Taxation of Chargeable Gains

A subsequent disposal of Ordinary Shares by an individual or corporate Shareholder may result in a liability to UK taxation on chargeable gains, depending upon the relevant circumstances of the transaction and the particular Shareholder’s circumstances.

On 5 April 1998, “taper relief” was introduced which applies to individual Shareholders and Trustees (but not to corporate Shareholders). Taper relief reduces the proportion of any chargeable gain assessable to capital gains tax by reference to the period of ownership of the Ordinary Shares by a Shareholder. The rate of taper depends upon whether the Shareholder holds the Ordinary Shares as “business” or “non-business” assets, with the speed of taper relief being accelerated for Ordinary Shares held as “business” assets.

Business assets include shares in qualifying unquoted trading companies or holding companies of trading groups. For these purposes, Shareholders should note that companies admitted to trading on AIM are regarded as unquoted.

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

No United Kingdom stamp duty or SDRT will be payable on the issue by the Company of Ordinary Shares. Transfers or sales of Ordinary Shares for value will give rise to a liability to United Kingdom ad valorem stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and at the rate of 0.5 per cent. of the consideration given). If within the six years of the date of the agreement an instrument or transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid. Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of consideration.

8. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Zest Group plc Share Option Scheme adopted by the Company on 7 March 2005.

8.1 Participation

All employees of the Company, including executive directors, are eligible to participate in the Share Option Scheme at the discretion of the Remuneration Committee.

8.2 Grant of Options

Options will be granted by board resolution and option holders will receive option certificates issued as deeds. Options may be granted over unissued or issued Ordinary Shares and Treasury Shares. No consideration will be payable for the grant of an option.

Each Option is personal to the option holder and any transfer, assignment, charge, pledge or other disposal of or dealing with the option will cause it to lapse.

Options may normally only be granted within 42 days following the announcement of the Company’s full or interim results although, in exceptional circumstances, the Remuneration Committee may resolve that circumstances exist which justify the grant of options outside that 42 day period.

Options may be granted such that their exercise is subject to performance conditions being satisfied. The Options granted on 7 March 2005 are not subject to performance conditions.

8.3 Exercise Price

After Admission, the grant of Options entitles the option holder to acquire Ordinary Shares at a price decided by the Remuneration Committee on a day prior to the grant of the Options calculated by taking the average price of the shares over a period of 5 days prior to the grant of Options.

8.4 Limits

The nominal amount of unissued Ordinary Shares or Treasury Shares over which options may be granted on any day, when added to the nominal amount of Ordinary Shares issued and remaining issuable or Treasury Shares transferred or remaining transferable in respect of rights conferred in the previous ten years under all share schemes of the Company or any subsidiary adopted by the Company in general meeting, may not exceed 10% of the nominal amount of Ordinary Shares in issue (including Treasury Shares) immediately before the date of grant.

8.5 Exercise of Options

Options can generally only be exercised in the period beginning with the third anniversary of their date of grant and ending on the tenth anniversary of their grant.

Where an employee leaves, options cease to be exercisable except in the event of an employee's retirement, injury, disability, redundancy, pregnancy, where the company for which the employee works is transferred to a new owner or in any other circumstances determined at the discretion of the Remunerations Committee. In these circumstances, options must be exercised within six months of leaving.

In the case of death, a participant's personal representatives may exercise his options within 12 months after the date of death.

On the exercise of an Option, Ordinary Shares will be allotted and/or transferred within 30 days and where Ordinary Shares are issued they will rank *pari passu* in all respects with other Ordinary Shares then in issue.

No option is capable of being quoted or dealt in on any investment exchange. Should the option holder cease to be an eligible participant (for whatever reason) he is not entitled to any compensation whatsoever. Rights granted under the Share Option Scheme do not affect any pension rights of participants.

8.6 Takeovers and Liquidations

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, options become immediately exercisable provided that any applicable performance conditions have been satisfied. There is also a provision allowing the rollover of options in such an event, where the circumstances permit.

8.7 Variation of Share Capital

In the event of any rights issue or capitalisation by the Company or of any reduction, sub-division, consolidation of capital or the variation of the share capital of the Company, the number of shares comprised in options and the exercise price may be adjusted in such manner as the Company's auditors shall in their opinion consider to be fair and reasonable.

8.8 Tax

Where a tax liability arises on the exercise of an option, the Company may make deductions from payments due to the option holder to meet such liability. If such payments are insufficient, the option holder must pay the Company the balance of the liability before Ordinary Shares are allotted or transferred to him. Alternatively, the Board may sell as many of the option holder's Ordinary Shares as are necessary to cover the liability. The option holder will bear the cost of any secondary National Insurance Contributions.

8.9 Amendment, Assignability and Termination

The Board of Directors of the Company may make amendments to the rules of the Share Option Scheme and, except for minor amendments to benefit the administration of the Share Option Scheme or for tax or regulatory purposes, no amendment shall be made to the advantage of eligible employees or participants without prior approval of the Company in general meeting.

The Company in general meeting, or the Board can terminate the Share Option Scheme so that no further options are granted but any subsisting options granted before such termination shall not be affected.

9. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will, taking into account the net proceeds of the Placing receivable by the Company, from the date of Admission, be sufficient for its present requirements, that is for the twelve months from the date of Admission.

10. LITIGATION

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company which are having or may have a significant effect on the Company's financial position.

11. GENERAL

- 11.1 There are no patents or other intellectual property rights, licenses or particular contracts which are of fundamental importance to the Company's business.
- 11.2 The expenses of the Placing are estimated to be £120,000, excluding VAT, and are payable by the Company.
- 11.3 The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in Schedule 1 of the POS Regulations is £580,000, divided as follows:
- | | | |
|--------|--|----------|
| 11.3.1 | the purchase price of any property: | £nil |
| 11.3.2 | preliminary expenses and expenses of the Placing: | £120,000 |
| 11.3.3 | repayment of money borrowed in respect of 11.3.1 and 11.3.2 above: | £nil |
| 11.3.4 | working capital: | £460,000 |
- 11.4 Except for payments to trade suppliers, the Company's professional advisers, or as set out above, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 11.5 The Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 11.6 The Company's accounting reference date is 30 September.
- 11.7 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. The Company has not prepared any statutory accounts since its incorporation.
- 11.8 Grant Thornton UK LLP have given and have not withdrawn their written consent to the issue of this document with the inclusion of their Accountants' Report in Part III of this document and the references to such report and to their name in the form and context in which they appear.
- 11.9 W.H. Ireland has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which such references are included.
- 11.10 The period within which Placing participations may be accepted pursuant to the Placing and the arrangements for paying for the Placing Shares are set out in the placing letters to placees. All moneys received from applicants will be held by W.H. Ireland prior to issue of the shares. If any application is unsuccessful, any moneys returned will be sent by cheque crossed "A/C Payee" in favour of the first named applicant. Any moneys returned will be sent by first class post at the risk of the addressee as soon as reasonably practicable. Share certificates will where relevant be sent to successful applicants by first class post at the risk of the applicant within ten days of the completion of the Placing.
- 11.11 Temporary documents of title will not be issued in connection with the Placing. Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register of members of the Company.
- 11.12 The Ordinary Shares are in registered form. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that Ordinary Shares will be enabled for settlement in CREST following Admission. Placees who are CREST system members may elect to have the Placing Shares allotted to them in uncertificated form through CREST.
- 11.13 The Company has no investments in progress which are or may be significant.
- 11.14 Save as set out in this document, there has been no significant change in the financial or trading position of the Company since 31 January 2005, being the date to which the Accountants' Report in Part III of this document was prepared.

12. AVAILABILITY OF DOCUMENTS

Copies of this document will be available free of charge to the public at the offices of W.H. Ireland, 24 Bennetts Hill, Birmingham, B2 5QP and Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 17 March 2005

