

**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.**

The Directors of Cap Energy Ltd, whose names appear on page 5 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The share capital of the Company is not presently listed or dealt in on any stock exchange. It is intended that an application will be made for all the Ordinary Shares of the Company to be traded through Ofex (as defined). **Ofex is a market operated by Ofex plc for the trading of unlisted securities and is not classified as a “regulated market” under EU financial services law. Ofex is a market for smaller companies which tend to involve a higher investment risk than more mature companies. If you are in any doubt about the contents of this Document you should consult a person authorised by the Financial Services Authority to provide investment advice.** It is emphasised that no application is being made for the admission of these securities to the Alternative Investment Market of the London Stock Exchange or the Official List of the UK Listing Authority.

**The whole of this Document should be read and in particular your attention is drawn to Part Two of this Document, which sets out certain risk factors. All statements regarding the Company's business, financial position and prospects should be viewed in light of such risk factors.**

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## **Cap Energy Ltd**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 5351398)*

**Offer of up to 1,250,000 New Ordinary Shares at 40p per share payable in full on application to raise £500,000 before expenses**

**and**

**Admission to Ofex**

**OFEX CORPORATE ADVISER**

**St Helen's Capital Plc**

*(Regulated by the Financial Services Authority)*

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Share capital immediately following completion of the Offer (assuming full subscription):

<b>Authorised</b>		<b>Issued and Fully Paid</b>	
<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
<b>400,000,000</b>	<b>2,000,000</b>	<b>3,616,750</b>	<b>18,084</b>

St Helen's Capital Plc, which is regulated by the Financial Services Authority and is a member of Ofex, is the Company's Corporate Adviser for the purposes of the Offer. St Helen's Capital Plc has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and accepts no liability whatsoever for the accuracy of any information or opinions contained in this Document, or for the omission of any material information, for which the Directors are solely responsible.

The Advisers named on page 5 of this Document are acting for Cap Energy Ltd and no one else in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of such Advisers or for providing advice in relation to the Offer.

The latest time for the receipt of applications for New Ordinary Shares under the Offer is 3.00pm on Thursday 13 October 2005 and the Offer will not be capable of acceptance after that time. The procedure for application is set out in Part Six of this Document and in the accompanying Application Form. Application Forms should be returned to SLC Registrars Limited, 42-46 High Street, Esher, Surrey KT10 9QY as soon as possible and in any event to arrive no later than 3.00pm on Thursday 13 October 2005.

## IMPORTANT NOTICE

**An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this Document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their circumstances and the financial resources available to them. Your attention is drawn to the section entitled "Risk Factors" in Part Two of this Document.**

This Document is provided solely for the use of prospective investors with regard to evaluating the Offer of New Ordinary Shares in the Company.

The Document does not constitute an offer to sell or the solicitation of an offer to buy any securities in circumstances in which such offer or solicitation is unlawful. The distribution of the Document and the sale of New Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Document comes are required by the Company to inform themselves about and to observe any such restrictions.

The Company reserves the right to reject any offer to purchase New Ordinary Shares in whole or in part for any reason. It also specifically reserves the right to determine or alter the timing of the allotment of such New Ordinary Shares (subject to the provisions of the Act) and/or the aggregate amount to be raised (save that the Minimum Amount must be raised before any New Ordinary Shares are allotted) as set out in the Document or otherwise.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Potential investors should inform themselves as to the possible tax consequences, the legal requirements and any foreign exchange restrictions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subsequent holding or disposal of the New Ordinary Shares.

No person is or has been authorised in connection with the Offer to give any information or make any representation other than as contained in this Document and if given or made such information or representation may not be relied upon as having been authorised by the Company.

### **Forward-Looking Statements**

If and when included in this Document the words "may", "expects", "intends", "anticipates", "estimates" and analogous expressions are intended to identify forward looking statements. Any such statements, which may include statements contained in "Risk Factors" in Part Two of this Document, are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions. As such, these forward-looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based save in circumstances in which not to do so would make the information in this Document (or the import thereof) misleading.

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## DEFINITIONS

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

Act	the Companies Act 1985 (as amended)
Admission	admission by Ofex of the Ordinary Shares to trading on the Ofex market
AIM	the Alternative Investment Market of the London Stock Exchange
Application Form	the form of application to apply for New Ordinary Shares (the subject of the Offer)
Articles	the articles of association of the Company
Board or Directors	the board of directors of the Company, whose names appear on page 5 of this Document
Company or Cap Energy	Cap Energy Ltd
CREST	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by CRESTCo Limited
Document	this Admission Document
Enlarged Share Capital	the issued ordinary share capital of the Company following Admission
Existing Ordinary Shares	the Ordinary Shares in issue at the date of this Document
FSA	The Financial Services Authority
FSMA	Financial Services and Markets Act 2000
IPO	Initial Public Offering
London Stock Exchange	London Stock Exchange Plc
Minimum Amount	£100,000
New Ordinary Shares	the new Ordinary Shares proposed to be issued pursuant to the Offer
Offer	the Offer of up to 1,250,000 New Ordinary Shares
Offer Price	40p per New Ordinary Share
Ofex	a market operated by Ofex plc which allows trading of shares in unquoted companies
Official List	the official list of the UK Listing Authority
Ordinary Share	an ordinary share of 0.5p in the capital of the Company
Shareholder(s)	a holder or holders of Ordinary Shares
St Helen's Capital	St Helen's Capital Plc
SLC	SLC Registrars Limited
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for listing in the UK
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States of America

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Timothy Michael Hearley, Chairman Caroline Marie Belcher, Director Philippe Stephen Eric Schreiber, Non-executive Director
<b>Company Secretary</b>	David Ian Shephard FCMA all of
<b>Registered Office</b>	15 St Helen's Place London EC3A 6DE
<b>Telephone number</b>	020 7628 5582
<b>Ofex Corporate Adviser</b>	St Helen's Capital Plc 15 St Helen's Place London EC3A 6DE
<b>Auditors and Reporting Accountants</b>	H W Fisher & Company Acre House 11-15 William Road London NW1 3ER
<b>Solicitors to the Company and the Offer</b>	mhlaw Warnford Court 29 Throgmorton Street London EC2N 2AT
<b>Principal Bankers</b>	HSBC Bank plc 20 Eastcheap London EC3M 1ED
<b>Registrars</b>	SLC Registrars Limited 42-46 High Street Esher Surrey KT10 9QY

## KEY INFORMATION FOR INVESTORS

The following information has been derived from, and should be read in conjunction with, the full text of this Document. Investors should read the whole Document and not just rely on the key information set out below.

- The Company is seeking to raise up to £500,000 (before expenses) through the issue of 1,250,000 New Ordinary Shares at 40p per share
- The proceeds of the fundraising will be used to acquire oil and gas assets, an opportunity presented by the high price of oil and the premium attached to quoted private equity
- Cap Energy has been set up to invest in oil and gas opportunities through the direct acquisition of exploration and/or producing oil assets
- Cap Energy is looking to purchase exploration assets with moderate risk and small to medium sized producing wells, particularly those abandoned by the major oil companies
- Cap Energy aims to purchase a number of these assets and build the Company into a sizable oil company
- Cap Energy's market of choice is the USA where a number of these opportunities have been identified
- Two experienced independent directors, Philippe Schreiber and Tim Hearley, have been appointed, both with considerable oil industry expertise, and Philippe Schreiber is on the board of NYSE listed (market cap of \$1 bn +) oil exploration and production company Bill Barrett Corporation
- A letter of intent has been signed with a US based oil and gas investor and operator and the Directors are looking at deals where they can co-invest. Exploration and production capability is provided by an experienced engineer. He has been working in the US oil industry for the past 30 years
- The Company is applying to have the Ordinary Shares of the Company traded on Ofex at the earliest practicable opportunity
- The minimum individual investment amount in the Offer is £2,000

## MARKET STATISTICS

Offer Price	40p
Existing Ordinary shares in issue	2,366,750
New Ordinary Shares to be issued in the Offer (up to)	<u>1,250,000</u>
Total shares following the Offer (up to)	<u>3,616,750</u>
Gross proceeds	£500,000
Estimated net proceeds	£454,000
Market capitalisation following the Offer at the Offer Price	£1,446,700

## EXPECTED TIMETABLE

Offer opens	Monday 26 September 2005
Closing date	Thursday 13 October 2005
Issue of share certificates	Monday 17 October 2005
Expected date of Admission to Ofex	Tuesday 18 October 2005

## **PART ONE**

### **INFORMATION ON THE COMPANY**

#### **1. INTRODUCTION**

Cap Energy aims to invest in oil assets and to take advantage of the current premium attached to oil companies due to the present high price of oil.

#### **2. CAP ENERGY LTD**

Cap Energy has been established as an investment vehicle for a specific investment objective: to invest in oil exploration and/or production assets, particularly focused on North America.

Cap Energy has analysed a number of opportunities, particularly in the North American market and believe that there are deals available at prices that will produce a substantial return. (See below).

Cap Energy has put together a strong team, its Directors, its American associate and engineer to ensure that deals can be sourced, appropriately evaluated and developed. (See below)

The Company has raised £229,000 from a small syndicate of sophisticated and/or high net worth investors. Over 20 investors have agreed to subscribe £125,850 in this Offer.

The Company is seeking a dealing facility for its shares on Ofex now. It proposes to consider a move to AIM at a later stage once the Company has acquired and integrated a number of assets.

Cap Energy is currently considering a number of possible acquisitions. At present details are commercially confidential and therefore they cannot be disclosed at this time.

#### **3. MARKET OPPORTUNITY**

Cap Energy aims to take advantage of the current high oil price and the availability of a number of oil asset opportunities particularly in North America.

Current thinking amongst industry experts is that the price of oil will remain high due to a number of factors: the rise of oil consumption by China, the dependence of oil supply on unstable regions which has been exacerbated by recent events in the Gulf of Mexico, where the price per barrel has risen to \$70.

Oil asset opportunities have become available for a number of reasons: abandonment of small and 'uneconomical' oil fields by the oil majors, identification of further exploration opportunities in areas where producing fields have similar geologies, and bank sales.

The major oil companies are presently focusing on the larger oil fields. They are abandoning smaller fields that are less economic for a major oil company to operate. Typically, an oil field producing less than 1,000 B/D is not, in their view, attractive. Using the benchmark of production costs at \$20 a barrel, the majors are abandoning fields that can be profitable with the price of oil at \$40+ a barrel. Likewise new technologies have been introduced over the past five years which have extended the life of oil producing wells.

Hence, smaller operators with lower overheads can generate profits by purchasing a number of abandoned fields and exploiting further their opportunity by uncapping individual wells which still have their licences. A smaller streamlined company can operate these wells at approximately \$15 a barrel. Hence with oil at \$40+ and operating costs at \$15, there is an arbitrage opportunity.

Cap Energy's research shows it is possible to buy individual fields/wells at a cost per barrel of between \$20-25, including acquisition costs. This leaves profitable margins relative to the current price of oil.

Two deals have been reviewed along this model but for various reasons have been rejected.

A further deal, this time in the exploration space, has been evaluated and negotiations are currently taking place.

The strategy of Cap Energy is to take moderate risk in the exploration or production opportunities and share this risk with their American associate. The objective is to invest in small to medium sized opportunities to begin with and develop these opportunities with further investment and in this way, build a sizeable oil company. Once cash flow has been established a number of relationships have been established with US banks to leverage the investment.

The Directors believe that with their skills and Cap Energy's identified associates, the Company has the necessary capabilities to source, evaluate and develop deals.

One of the Directors, Philippe Schreiber, a USA corporate lawyer with considerable oil and gas experience, has an impressive track record and is on the board of several oil companies. He will lead the due diligence process and the evaluation of opportunities in the sector.

#### **4. QUOTED PRIVATE EQUITY**

The investment company fund raising vehicle has become an accepted method which allows institutions and private investors to back a management team and their investment focus.

Institutions and private investors are attracted to this method as they can invest at an early stage and at a reasonable valuation and take advantage of the potential upside, which has typically been the case when the acquisition has been completed and a share trading facility is in place. Private investors and institutions usually access these opportunities only when private equity firms sell their investments after taking a significant profit.

Cap Energy has raised funds and is now seeking to raise additional funds in conjunction with an Ofex listing. Cap Energy is also negotiating on one of the opportunities identified.

#### **5. KEY INVESTMENT CONSIDERATIONS**

This is a high performance, high risk investment opportunity.

##### **Performance Opportunity**

This is an opportunity for investors to enter into this investment at an early stage and profit from the potential uplifts.

It is anticipated that these are as follows:

- Obtaining an Ofex dealing facility for the Company's shares.
- Move to the next funding round when the acquisition has been identified and Cap Energy enters into an exclusive contract with the target.
- Developing the acquisition (drilling for exploration, and "uncapping").
- Further funding rounds for acquisition of further oil wells (institutional round).
- Obtaining admission to AIM.

##### **The Management of High Risks**

There are a number of risks associated with this investment that are identified below together with the strategies that will be put in place to manage them:

- Oil market opportunity; the oil price needs to remain strong but can be partly offset by hedging contracts.
- Thorough due diligence will be completed on target acquisitions by relevant experts (Cap Energy Directors and their associates).
- The investments, where appropriate, will be shared with associates.
- The investments will be incremental and not "big bang"



## **6. THE DIRECTORS**

### **Tim Hearley**

Tim Hearley graduated in Physics from Oxford University and in the 1970s became a research analyst with Sheppards and Chase, focusing on the mining sector, including oil and gas. In his early career he also worked for GEC Telecomms and W S Atkins.

In the 1980s he moved into manufacturing industry and has broad experience in the automotive industry, including his acquisition of 50% of Aston Martin which he jointly chaired with Victor Gauntlett, and as the Chairman of Virgin Cars which he helped to launch in 2000.

In 1984 Tim was a Director and Chairman of Oceanic Commercial Holdings Ltd, which held a significant investment in Intrepid Oil & Gas Inc., a Delaware company owning and operating oil and gas wells in Oklahoma County; Tim has first hand knowledge of oil and gas drilling and operational techniques including an understanding of geological results and experience in the financial analysis of individual wells.

Tim is an experienced chairman and director of a number of listed and private businesses, and an active private equity investor. As a director and investor in Moorepay Group Plc he took the business to AIM at a valuation of £6m and led negotiations for its £40m sale to Rebus in early 2000. He chaired the fully listed software company Rolfe & Nolan until 2003, when he led a successful public-private deal. More recently, Tim has become a non-executive director of AIM listed Oakdene Homes and Ofex listed IQ Holdings and Vicorp Group Plc.

### **Philippe Schreiber**

Philippe Schreiber is a US attorney and business consultant with nearly 35 years of experience in the domestic US and international oil industry. Philippe graduated from Columbia University in New York with a Juris Doctor degree and practised law with Coudert Brothers, a large international law firm, in New York and London for several years before becoming Vice President and General Counsel of Weeks Petroleum Limited, an independent international oil company, in the 1970s. He also worked for 18 months as Assistant General Counsel for Boise Cascade Corporation, advising the companies in their international engineering and construction division until the component companies were sold to Halliburton and other purchasers.

Since 1979, Philippe has practised law, both independently and as partner and Counsel to a New York law firm (now merged into Alston & Bird) from 1985 to 1998, with his practice emphasising oil and gas matters and other European investment in the United States. Philippe has served on various occasions as the chief executive officer of independent oil and gas companies with direct involvement in oil and gas exploration and production in the United States, including Intrepid Oil Company, a joint venture of American and British companies. Each of those companies was eventually merged into larger oil companies. Philippe also served as an independent director of several publicly traded companies, including Excel Energy Corporation (Denver, Colorado) and Owl Creek Investments Limited. Philippe was a non-executive director of Barrett Resources Corporation which was publicly traded on the NYSE until its acquisition by the Williams Companies in August 2001 following a hostile bid by Shell. Philippe is currently a non-executive director of Bill Barrett Corporation, which completed a highly successful IPO in December 2004 and is now publicly traded on the NYSE. He is a member of that Board's Audit and Compensation Committees.

Philippe has directly overseen petroleum investments and operations and is familiar with exploration and production operations in the United States from an operational, legal and financial perspective. He has had experience in the regions and types of investments in which Cap Energy intends to acquire petroleum interests and conduct its business.

### **Caroline Belcher**

Caroline has spent her career working with a number of companies to increase their overall profits and value.

From an operations perspective she has achieved this in Management, Interim Executive and Consulting roles. In order to increase value she operates within the strategy, revenue generation, cost reduction and business creation spaces.

From an investment perspective she has been an investment analyst and sat on the Investment Committee Board of Venture Consulting SA identifying key companies for investment and business support.

Throughout her 18 year career she has held the following positions: Founder and Managing Director of Venture Consulting UK, a consulting and venture business of €2 million; Global Head of Sales and Customer Relationship Management (CRM) for Personal Financial Services at American Express, a sales and customer service organisation of \$1.1bn; CRM Financial Services practice leader at Gemini Consulting, a \$20m operation in its first year; Senior Consulting positions in the Mac Group and Arthur D Little and investment analyst at Credit Suisse.

## 7. TAX POSITION

It is not anticipated that shares in Cap Energy will be admitted to the Official List. Under current tax rules Ofex traded and AIM quoted shares can be eligible for IHT business property relief and preferential CGT taper relief if the company is a trading company, or the holding company of a trading company, once the shares are held for two years (or one year for CGT). The Directors understand that, under current Revenue and Customs practice, the initial steps being taken to enable Cap Energy to trade are not regarded as trading, but once contracts have been entered into and trading commences the Company's shares may qualify for these tax reliefs. However the Directors make no promise or warranty concerning any possible future tax reliefs and any effect of the initial non-trading period whilst preparations are made for the Company to commence trading and **Investors will need to take their own tax advice.**

## 8. CORPORATE GOVERNANCE

The Company is developing appropriate measures to comply with the Code of Best Practice published by the Committee on Corporate Governance and the Guidance for Smaller Quoted Companies published by the Quoted Companies Alliance in so far as it is practicable and appropriate having regard to the size and nature of the Company. Audit and Remuneration Committees will be established which will be chaired by a non-executive director.

The Company has adopted and will operate a share dealing code for Directors in the same terms as the Ofex Code of Dealing. The Company has also undertaken that it will issue announcements on the Ofex Newstrack service.

## 9. DETAILS OF THE OFFER

Up to 1,250,000 New Ordinary Shares are being offered for sale by the Company at 40p per New Ordinary Share to raise £500,000 before expenses (£454,000 after expenses). The proceeds of the Offer, after expenses, together with the Company's existing cash resources of approximately £217,000 will provide the Company with working capital. These funds will be used to acquire an oil asset.

Over 20 investors have agreed to subscribe in excess of the Minimum Amount under the Offer.

The New Ordinary Shares will, following allotment, rank pari passu with the existing Ordinary Shares and will have the right to receive all dividends and other distributions hereafter declared or made in respect of the issued ordinary share capital of the Company.

## 10. DIVIDEND POLICY

In the early stages of the Company's development, the Directors intend to reinvest any profits earned into the cash resources of the Company. However, they also recognise the importance of dividends to investors and will keep under review the desirability of paying dividends from distributable reserves alongside the need to maintain an appropriate level of earnings cover and the Company's ongoing working capital requirements.

## **11. OFEX, SETTLEMENT AND DEALINGS**

The share capital of the Company is not presently listed or dealt in on any stock exchange. It is intended that an application will be made for the issued Ordinary Shares to be traded on the Ofex market and the Offer is conditional upon the grant of permission to trade the Ordinary Shares on Ofex being obtained. It is emphasised that no application is being made for the admission of these securities to AIM, the market operated by the London Stock Exchange, or the Official List of the UK Listing Authority. Ofex has a comprehensive company information and announcement system called Newstrack, which is presently distributed by Bloomberg, Thomson Financial, Reuters and FT Interactive Data (the latter incorporating Comstock). Newstrack is an electronic news and information service for professional intermediaries, which carries information on Ofex companies, announcements by such companies, and other information on Ofex including bid and offer prices and trade information. Newstrack is available to private investors through the internet at [www.Ofex.com](http://www.Ofex.com) and via other licensed internet vendors.

Any individual wishing to buy or sell securities which are traded on the Ofex market, must trade through a stockbroker (being a member of the Ofex market and regulated by the Financial Services Authority) as the market's facilities are not available directly to the public

It is expected that, subject to the satisfaction of the conditions of the Offer, the New Ordinary Shares will be registered in the names of those subscribing for them and issued in certificated form.

Application will be made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place in CREST.

No temporary Documents of title will be issued. All Documents or remittances sent by or to applicants, or as they may direct, will, be sent through the post at their risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register.

## **12. FINANCIAL INFORMATION**

An Accountants' Report on the Company is set out in Part Three of this Document. The Company's accounting reference date is 31 March.

## **13. LOCK-IN ARRANGEMENTS**

On Admission, the Directors are expected to be interested in 625,000 Ordinary Shares and St Helen's Capital is expected to be interested in 312,500 Ordinary Shares, representing 17.4 per cent and 8.6 per cent respectively of the Company's issued share capital (assuming full subscription under the Offer).

Each of the Directors, St Helen's Capital and the other founder shareholder have undertaken that, save in limited circumstances or otherwise with the prior written consent of Ofex, they will not (and will procure, in so far as they are able, that any person with whom they are connected for the purposes of section 346 of the Act will not) during a period of 12 months from Admission, dispose of any interest in the Ordinary Shares held by them.

## **14. RISK FACTORS**

**Your attention is drawn to the Risk Factors set out in Part Two of this Document. Potential investors should carefully consider the risks described therein before making a decision to invest in the Company.**

## PART TWO

### RISK FACTORS

Investors should be aware of the high risks associated with an investment in the Company.

The Directors believe they have recognised the opportunity for the profitable growth of the Company. They consider the following risks to be the most significant for potential investors. The risks listed do not necessarily comprise all those associated with an investment in the Company.

- Cap Energy involves a small number of key people whose departure could, in the short term, materially adversely affect the business plan. Whilst Cap Energy has established arrangements with each of the key people which ensures they are all interested in Cap Energy's share capital, the retention of their services cannot be guaranteed.
- There is no assurance that Cap Energy will acquire a commercial business or that the Company that it acquires could compete with other businesses established in the market; specifically, the acquisitions presently under negotiation may not proceed to completion.
- The Company's performance will be particularly vulnerable to the oil market conditions. If the price of oil falls significantly from its present level (which may happen rapidly), the Company could move in to a loss making position. The Company could therefore find itself "locked into" oil field investments that it cannot operate profitably.
- The Company's ability to execute its strategy is subject to risks that are generally associated with the oil and gas industry. For example, Cap Energy's ability to pursue its projects, and to drill and develop its projects and drilling locations depends on a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, oil and natural gas prices, costs and drilling results. Because of these uncertainties, the Directors do not know if the potential drilling locations they have identified on the proposed projects will ever be drilled or if Cap Energy will be able to produce natural gas or oil from these or any other potential drilling locations. As such, the Company's actual drilling activities may materially differ from those presently identified.
- In addition, drilling activities are subject to many risks, including the risk that commercially productive reservoirs will not be discovered. Drilling for oil and natural gas can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenues to return a profit. In addition, drilling and producing operations may be curtailed, delayed or cancelled as a result of other factors.
- The Company's ability to operate in certain areas can encounter competition for drilling rigs, oil field equipment, services, supplies and qualified personnel, which may lead to periodic shortages. Resulting shortages or high costs could delay the Company's operations and materially increase its operating and capital costs, hindering the Company's strategy of controlling costs. Furthermore, the ability to pursue reserve and leasehold acquisitions may be hindered by the intensely competitive nature of the oil and natural gas industry.
- Lower oil and natural gas prices may not only decrease Cap Energy's revenues on a per unit basis, but also may reduce the amount of oil and natural gas that the Company can produce economically. This may result in the Company having to make substantial downward adjustments to any estimated proved reserves. If this occurs or if the Company's estimates of development costs increase, production data factors change or the Company's exploration results deteriorate, successful efforts accounting rules may require the Company to write down, as a non-cash charge to earnings, the carrying value of any oil and natural gas properties for impairments. The Company is required to perform impairment tests on its assets whenever events or changes in circumstances lead to a reduction of the estimated useful life or estimated future cash flows that would indicate that the carry amount may not be recoverable or whenever the management's plans change with respect to those assets. The Company may incur impairment charges in the future, which could have a material adverse effect on the results of operations in the period taken.

- Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The rate of decline changes if production from existing wells declines in a different manner than the Directors estimate and can change under other circumstances. Thus, any future oil and natural gas reserves of the Company, production and, therefore, the Company's cash flow and income are highly dependent on the Company's success in efficiently developing and exploiting any acquired reserves and economically finding or acquiring additional recoverable reserves. Cap Energy may not be able to develop, find or acquire reserves at acceptable costs.
- The Company's intended operations can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and other regulatory penalties.
- The Directors intend ordinarily to maintain insurance against various losses and liabilities arising from the Company's operations. However, insurance against all operational risks may not be available to the Company or the cost of available insurance may be excessive relative to the perceived risks presented. Thus, losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event not fully covered by insurance could have a material adverse impact on the Company's business activities, financial condition and results of operations.
- The oil and natural gas industry is capital intensive. If additional capital is needed, the Company may not be able to obtain debt or equity financing on acceptable terms, or at all. If cash generated by operations or available under any credit facilities is not sufficient to meet the Company's capital requirements, the failure to obtain additional financing could result in a curtailment of the Company's operations relating to exploration and development of its prospects, which in turn could lead to a possible loss of properties and a decline in any natural gas and oil reserves.
- Oil and natural gas operations can be adversely affected by seasonal or other weather conditions and lease stipulations designed to protect various wildlife. In certain areas drilling and other oil and natural gas activities can only be conducted during part of the year. This could limit the Company's ability to operate in those areas and can intensify competition during those months for drilling rigs, oil field equipment, services, supplies and qualified personnel, which may lead to periodic shortages. If applicable, these constraints and the resulting shortages or high costs could delay the Company's operations and materially increase its operating and capital costs.
- It is likely that substantially all of Cap Energy's business activities will be conducted through joint operating agreements under which Cap Energy will own partial interests in oil and natural gas properties. If the Company does not operate the properties in which it owns an interest, the Company will not have control over normal operating procedures, expenditures or future development of underlying properties. The failure of an operator of the Company's wells to adequately perform operations, or an operator's breach of the applicable agreements, could reduce the Company's production and revenues. The success and timing of Cap Energy's drilling and development activities on properties operated by others therefore depends upon a number of factors outside of the Company's control, including the operator's timing and amount of capital expenditures, expertise and financial resources, inclusion of other participants in drilling wells, and use of technology. If Cap Energy does not have a majority interest in a well it does not operate, the Company may not be in a position to remove the operator in the event of poor performance.
- Substantially all of the Company's income is expected to come from oil and natural gas sales. This concentration of customers may impact Cap Energy's overall credit risk in that these entities may be similarly affected by changes in economic and other conditions.
- The Company's revenue, profitability and cash flow will depend upon the prices and demand for oil and natural gas. The markets for these commodities are very volatile and even relatively modest drops in prices can significantly affect the Company's financial results and impede its growth. Changes in oil and natural gas prices will have a significant impact on the value of any reserves and on the Company's cash flow. Prices for oil and natural gas may fluctuate widely in

response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond the Company's control.

- UK shareholders investing in Sterling could be affected by significant movements between Sterling and other currencies and in particular the US Dollar in which oil is customarily traded.
- It is part of the business plan for Cap Energy to arrange additional capital by way of the issue of further shares to enable it to progress through further stages of development. There can be no assurance that such funding will be available to the Company and, if it is not, Cap Energy's performance is likely to be significantly affected.
- Adverse changes in the market place (whether relating to the actions of competitors, changes in the Oil market, changes to government regulations or changes to prices or other market conditions) could adversely affect Cap Energy's viability and financial performance.
- Equity investments in private companies are considered high risk. There is no guarantee that the Company's investment strategy will achieve profitable results. Investors risk losing all of the capital invested.
- If the Company has not undertaken a significant investment within 24 months of the start of trading on Ofex, there is no guarantee that the Company can maintain an Ofex trading facility.
- The ability to implement the Company's business strategy successfully may be adversely impacted by factors outside the Directors' control that they cannot foresee, such as technological, legislative or regulatory change.
- The Ordinary Shares are not listed or dealt in on any stock exchange. Notwithstanding that an application is being made for the Ordinary Shares to be traded off-exchange through Ofex, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment.
- Whilst the Directors believe the Company's application to join Ofex will be accepted, admission to, and continued membership of, Ofex are entirely at the discretion of Ofex.
- The bid-offer spread of the Ordinary Shares can be significant. It may be difficult to trade in the Ordinary Shares, which will be classed as "penny shares" under FSA rules (as the bid – offer spread may be more than 10 per cent and the market capitalisation will be under £100 million). The price quoted on Ofex is the mid-market price.

**An investment in the Company may not be suitable for all recipients of this Document. Potential investors are accordingly recommended to consult an adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on investments of this kind before making any investment decisions.**

**PART THREE**  
**FINANCIAL INFORMATION**  
**ACCOUNTANTS REPORT ON CAP ENERGY LTD**

The Board of Directors  
Cap Energy Ltd  
15 St Helen's Place  
London  
EC3A 6DE

and

The Board of Directors  
St Helen's Capital Plc  
15 St Helen's Place  
London  
EC3A 6DE

23 September 2005

**CAP ENERGY LTD (the "Company")**

Dear Sirs

**We report on the financial information set out below relating to Cap Energy Ltd. This financial information has been prepared for inclusion in the Admission Document relating to the issue of shares in Cap Energy Ltd and its admission to Ofex dated 23 September 2005 on the basis of the accounting policies set out in paragraph 3.2.**

**Introduction**

The Company was incorporated on 3 February 2005 with the registered number 05351398. The Company has not traded, incurred either a profit or loss, or paid dividends or made any other distribution since incorporation.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 3.2 to the financial information and in accordance with UK Generally Accepted Accounting Principles ("UK GAAP").

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

**Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 23 September 2005, a true and fair view of the state of affairs of Cap Energy Ltd, as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out in note 3.2 and in accordance with UK GAAP.

Yours faithfully

H W FISHER & COMPANY  
Acre House  
11-15 William Road  
London  
NW1 3ER



## 1 BALANCE SHEET

	Notes	As at 31 August 2005 £
<b>Current assets</b>		
Cash at bank and in hand		229,600
<b>Total assets less current liabilities</b>		<u>229,600</u>
<b>Capital and reserves</b>		
Called up share capital	3.3	11,834
Share premium	3.4	217,766
<b>Shareholders' funds - all equity interests</b>	3.5	<u>229,600</u>

## 2 CASH FLOW STATEMENT

	Notes	Period ended 31 August 2005 £
<b>Net cash inflow from operating activities</b>	3.6	<u>-</u>
<b>Net cash inflow before financing</b>		-
<b>Financing</b>		
Issue of ordinary share capital		<u>229,600</u>
<b>Net cash inflow from financing</b>		<u>229,600</u>
<b>Increase in cash</b>	3.7	<u>229,600</u>

### 3 NOTES TO THE FINANCIAL INFORMATION

#### 3.1 Profit and loss

The Company has not traded. No financial statements have been made up for presentation to members and no dividends have been declared or paid. Accordingly, no profit and loss account information is presented in this report.

#### 3.2 Accounting policies

##### Basis of preparation

The accounts have been prepared under the historical cost convention and on a going concern basis.

The financial information set out in Sections 1 to 3 is based on financial statements of the Company for the period ended 31 August 2005 ("the Relevant Period") to which no adjustments were considered necessary.

A non-statutory audit was prepared for the Company for the period from incorporation to 31 August 2005. Audited financial statements have not been prepared in respect of any period subsequent to this.

The financial statements for the Relevant Period did not include statements of cash flows in accordance with Financial Reporting Standard No. 1 as the Company was exempt from the requirement to do so. The Statements of Cash Flows included in this report have therefore been specifically prepared for inclusion in this report.

#### 3.3 Share capital

	2005
	£
<b>Authorised</b>	
400,000,000 ordinary shares of 0.5 pence each	<u>2,000,000</u>
<b>Allotted, called up and fully paid:</b>	
2,366,750 ordinary shares of 0.5 pence each	<u>11,834</u>

The Company was incorporated with an authorised share capital of £2,000,000 divided into 10,000,000 ordinary shares of 20 pence each. Three ordinary shares were issued on incorporation.

On 25 February 2005, 31,247 ordinary shares of 20 pence each were allotted at par to the founder shareholders of the Company.

On 2 March 2005, each issued and unissued ordinary share of 20 pence each was subdivided into 40 ordinary shares of 0.5 pence each.

On 20 July 2005, a total of 1,116,750 ordinary shares of 0.5 pence each were allotted at 20 pence per share.

### 3.4 Reserves

	Share premium account £
At 3 February 2005	-
Premium on shares issued during the period	217,766
At 31 August 2005	<u>217,766</u>

### 3.5 Reconciliation of movements in shareholders' funds

	2005 £
Profit for the financial period	-
Ordinary shares issued during the period	11,834
Share premium on shares issued	<u>217,766</u>
Net additions to shareholders' funds	229,600
Opening shareholders' funds	-
Closing shareholders' funds	<u>229,600</u>

### 3.6 Net cash inflow from operating activities

	2005 £
Reconciliation to operating results:	
Operating profit	<u>-</u>
Net cash inflow from operating activities	<u>-</u>

### 3.7 Reconciliation of net cash flow to movement in net cash

	2005 £
Increase in cash	229,600
Net cash at 3 February 2005	<u>-</u>
Net cash at 31 August 2005	<u>229,600</u>

### 3.8 Analysis of net cash

	At 3 February 2005 £	Cash flow £	At 31 August 2005 £
Cash at bank and in hand	<u>-</u>	229,600	<u>229,600</u>
Net cash at 31 August 2005	<u>-</u>	<u>229,600</u>	<u>229,600</u>

H W Fisher & Company  
Acre House  
11/15 William Road  
London NW1 3ER

## PART FOUR

### STATUTORY AND GENERAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated in England and Wales on 3 February 2005 under the Act as a private limited company with registered number 5351398 under the name of Cap Energy Ltd. The liability of members is limited.
- 1.2 The authorised share capital of the Company on incorporation was £2,000,000 divided into 10,000,000 ordinary shares of 20p each, with three Ordinary Shares being issued to the subscribers.
- 1.3 By resolutions passed by the Company in general meeting on 2 March 2005:
- 1.3.1 every ordinary 20p share, both issued and unissued, was sub-divided into 40 ordinary shares of 0.5p each;
- 1.3.2 the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to allot any authorised but unissued share capital of the Company for the period up to and including 31 December 2006 or, if earlier, the conclusion of the annual general meeting held in the year 2006; and
- 1.3.3 the Directors were empowered, pursuant to Section 95 of the Act, to allot shares in accordance with the authority under Section 80 of the Act referred to in paragraph 1.3.2 above at any time up to 31 December 2006 or, if earlier the date of the annual general meeting of the Company held in the year 2006 as if Section 89(1) of the Act did not apply to such allotment provided the allotment is confined to the allotment of shares to an aggregate nominal amount of £2,000,000.
- 1.4 On 25 February 2005, 31,247 ordinary 20p shares were allotted at par to the three Directors, St Helen's Capital and one other subscriber, being the founder shareholders of the Company.
- 1.5 On 20 July 2005, a total of 1,116,750 Ordinary Shares were allotted at 20p per Ordinary Share to 21 applicants.
- 1.6 Following the 20 July 2005 share issue the Company had in issue a total of 2,366,750 ordinary shares all of which have been fully paid up for cash.
- 1.7 After Admission, the authorised share capital of the Company will be £2,000,000 represented by 400,000,000 Ordinary Shares of 0.5p each of which, 3,616,750 shares will have been issued fully paid if the Offer is fully subscribed and the Directors will be authorised to allot the unissued shares pursuant to the authorities referred to in paragraph 1.3 above. The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer an shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent not disapplied by the resolution referred to in paragraph 1.3 above. The rights attaching to the Ordinary Shares are set out in the Articles.
- 1.8 Set out below is a table showing the persons who, so far as they are known to the Company, directly or indirectly, jointly or severally, exercise or could exercise control of the Company and the proportion of the voting capital held by such persons as they are expected to be following the Offer, assuming it is fully subscribed:

Name	Number of Ordinary Shares		Approximate percentage holding of issued shares	
	Present	After the Offer	Present	After the Offer
Caroline Belcher	375,000	375,000	15.8	10.4
Fincorp Investments	125,000	187,500	5.3	5.2
GHC Nominees Limited	150,000	150,000	6.3	4.1
Timothy Hearley	125,000	125,000	5.3	3.5
Philippe Schreiber	125,000	125,000	5.3	3.5
Indalco SA	125,000	187,500	5.3	5.2
St Helen's Capital Plc	312,500	312,500	13.2	8.6
St Helen's Private Equity Plc	100,000	150,000	4.2	4.1
Robert Suss	125,000	125,000	5.3	3.5
Mark Warde-Norbury *	725,000	775,000	30.6	21.4

\* Mark Warde-Norbury is interested in the 312,500 Ordinary Shares registered in the name of St Helen's Capital and in the 100,000 Ordinary Shares registered in the name of St Helen's Private Equity Plc as he is a director of and shareholder in those companies.

- 1.9 The Company is not aware of any person other than those listed above who, directly or indirectly, is interested in 3 per cent or more of the Company's share capital or will be so interested after the Offer. Save as disclosed above, since the Company's incorporation no share or loan capital of the Company has been issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue or sale of any such capital.

- 1.10 No share or loan capital of the Company or any of its subsidiaries is proposed to be issued or is under option or is agreed to be put under option and no person has any preferential subscription rights for any authorised but unissued shares.
- 1.11 The Company has no outstanding convertible debt securities or exchangeable debt securities with warrants.
- 1.12 Save as disclosed in paragraph 1.8 above, there are no persons known to the Company who, directly or indirectly, jointly or severally, will, following the Offer, be able to exercise control over the Company.

## **2. Memorandum of Association**

The Memorandum of Association of the company provides that the Company's principal objects are to carry on business as a general commercial company and carry on any other business advantageous to the Company. The objects of the Company are set out in full in clause 3 of the Company's Memorandum of Association.

## **3. Articles of Association**

The Articles includes provisions to the following effect:

### **3.1 Votes of members**

An annual general meeting shall be held in each year. The Board and, subject to the Act, the members may convene extraordinary general meetings. The quorum for a valid meeting is three members present in person or by proxy. Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares on a show of hands every person present who on a poll would be entitled to vote shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. The Chairman has a casting vote.

### **3.2 Transfer of shares**

#### *Form of transfer*

Transfers of shares in certificated form may be effected by transfer in writing in any usual or common form or in any other form approved by the Board. The instrument of transfer shall be signed by or on behalf of the transferor and (in the case of partly paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

The Directors may decline to register a transfer of shares which are not fully paid up to a person of whom they do not approve or a transfer of shares on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless:

- (i) the duly stamped instrument of transfer is lodged at the registered office or such other place as the Board may appoint and is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, and
- (ii) the transfer is in respect of only one class of share: and
- (iii) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

#### *Uncertificated Shares*

Shares in uncertificated form shall be transferred in accordance with, and be subject to the provisions of, the Uncertificated Securities Regulations 1995 and the facilities and requirements of the relevant system (presently operated by CRESTCo Limited).

### **3.3 Dividends**

#### *Final dividends*

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board.

#### *Interim dividends*

Insofar as, in the opinion of the Board, the profits of the Company justify such payments, the Board may from time to time declare and pay interim dividends on shares of any class of such sums as the Board thinks fit.

#### *Retention of dividends*

The Board may retain any dividend and bonuses payable on a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

#### *Unclaimed dividends*

Any dividend unclaimed after a period of twelve years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

#### *Distribution in specie*

The Company may by ordinary resolution direct payment of a dividend or bonus in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution.

#### *Distribution in specie on a winding up*

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members.

#### *Pre-emption rights*

Unless the Company shall by special resolution otherwise direct any shares proposed to be issued shall first be offered to the members in proportion as nearly as may be to the number of the existing shares held by them.

### 3.4 Capitalisation of profits and reserves

The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit or loss account.

Such capitalisation shall be effected by appropriating such sum to the members in the same proportions as if it had been distributed by way of dividend and paying such sum on their behalf in paying up in full amounts unpaid on shares unissued shares or debentures.

### 3.5 Share Capital

#### *Variation of rights*

The special rights attached to any class or share may, subject to the provisions of the Memorandum of Association and the terms of issue of the class, be varied either with the consent in writing of the holders of not less than three quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

#### *Increase in share capital*

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

#### *Consolidation, subdivision and cancellation*

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (ii) subject to the provisions of the Act, sub-divide its shares into shares of a smaller amount;
- (iii) cancel any shares which have not been taken or agreed to be taken.

#### *Reduction or cancellation*

The Company may by special resolution reduce any capital redemption reserve fund or share premium account in any manner and subject to any condition or consent required by law.

#### *Purchase of own shares*

Subject to the provisions of the Act, the Company may purchase any of its own shares, including redeemable shares. There are special conditions dealing with redeemable shares and convertible securities.

#### *Winding up or return of capital*

On a winding up, the surplus assets to the Company available for distribution shall, subject to any special rights attaching to any class of shares, be applied in repaying to members the amounts paid up on their shares. Any surplus will belong to the holders of ordinary shares according to the numbers of shares held by them (or, if there are no ordinary shares, to the holders of any unclassified shares according to the numbers of shares held by them).

### 3.6 Forfeiture and Lien

#### *Notice on failure to make a call*

If a member fails to pay in full any call or instalment of a call on the due date for payment, the Board may at any time after the failure serve a notice on him requiring payment and shall state that, in the event of non-payment in accordance with such notice, the shares on which the call was made will be liable to be forfeited.

#### *Lien on partly-paid shares*

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share.

*Sale of shares subject to lien*

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

3.7 Directors

*Number of directors*

Unless otherwise determined by ordinary resolution the Directors shall not be fewer than two and shall not be subject to any maximum.

*Directors' fees*

The ordinary remuneration of Directors shall from time to time be determined by ordinary resolution.

*Other remuneration of directors*

Any Director who holds any executive office or who performs special service may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

*Directors' expenses*

The Board may repay to any Director all traveling, hotel and other expenses as he may incur within the United Kingdom, in attending meetings of the Board or of any committee of the Board or shareholders' meetings or otherwise in connection with the business of the Company.

*Directors' pensions and other benefits*

The Board has power to pay or procure the grant of donations, gratuities, pensions, allowances, bonuses, benefits or emoluments to any Director or former Director who has been in the employment of the Company as an executive director or the holder of any other office or place of profit under the Company and to any relatives of such persons.

*Appointment and retirement of directors*

Subject to the provisions of the Articles, the Company may appoint any person to be a Director by ordinary resolution. The Board may appoint any person to be a Director, and he will hold office until the next annual general meeting. At every annual general meeting one third (or the number nearest to one third) of the Directors who are subject to retirement by rotation shall retire. Retiring Directors shall be eligible for re-election. The Board may appoint one or more of their number to the office of managing director and a managing director shall not be subject to retirement by rotation. The office of Director is vacated if he resigns, or if he becomes bankrupt or has a receiving order against him or compounds with his creditors, or if he is prohibited from being a director by statute, or if the Board so resolves where he becomes of unsound mind or a patient under a mental health statute or is absent from Board meetings without leave for six months.

*Restrictions on voting*

Subject to the provisions of the Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution.

3.8 Borrowing powers

The Board may exercise all powers of the Company to borrow money and to mortgage or change its undertakings property and assets (present and future) 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 of any third party.

**4. Directors' Interests**

4.1 The names of the Directors and the business address of each of them are shown on page 5 of this Document.

4.2 At the date of this Document and immediately following the Offer (assuming full subscription), the interests of the Directors and (so far as is known to the Directors or could, with reasonable diligence, be ascertained by them), persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company, as required to be notified to the Company pursuant to sections 324 and 328 of the Act or as required by section 325 of the Act to be entered into the register referred to therein, are, and will be, as follows:

Name	Number of Ordinary Shares	Approximate percentage holding of issued shares	
		Present	After the Offer
Caroline Belcher	375,000	15.8	10.4
Timothy Hearley	125,000	5.3	3.5
Philippe Schreiber	125,000	5.3	3.5

4.3 Save as disclosed above none of the Directors has any interest in the Ordinary Shares.

4.4 The Directors have adopted a code to regulate directors' and employees' dealings in Ordinary Shares which is based on the Ofex Code of Dealing.

- 4.5 The Directors' current and other directorships and partnerships, in addition to the Company, held in the last five years (other than dormant companies) are as follows:
- 4.5.1 Caroline Belcher
- |                        |                                          |
|------------------------|------------------------------------------|
| <i>Present</i><br>None | <i>Previous</i><br>Venconsulting Limited |
|------------------------|------------------------------------------|
- 4.5.2 Timothy Hearley
- |                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Present</i><br>Binns & Co PR Limited<br>Coventry Hood Limited<br>Creative Sports Cars Limited<br>Green Cone Limited<br>I Q Research<br>Neodox Composites Limited<br>Nyne Limited<br>Nyne Managers Limited<br>Reflec Plc<br>Securitex Investments Limited<br>Vail Corporation Limited<br>Vail Corporate Services Limited<br>Vicorp Group Limited<br>Vicorp UK Limited | <i>Previous</i><br>Verulam Nominees Limited<br>Integral Composites Limited<br>Hampton Mouldings Limited<br>Hampton Mouldings Group Limited<br>Manta Plastics Limited<br>Aldersgates Engineering Plastics Limited<br>General Celluloid Company Limited<br>Oakdene Homes Plc<br>Gencel Group Plc<br>Gencel Cyroma Limited<br>Gencel Manta Limited<br>Cyroma Plastics Limited<br>Azlec Tooling Limited<br>Valcast Holdings Limited<br>James Brown (Kettering) Limited<br>Valcast Engineering Limited<br>Valcast Products Limited<br>Moorepay Group Plc<br>The Hay Group Holdings Limited<br>Eaglepath Limited<br>Polk St Albans Limited<br>Marlborough Software Limited<br>Gencel Aldersgate Limited<br>IPS Manufacturing Technologies Plc<br>Rolfe & Nolan Plc<br>Bessa Lincoln College, Oxford PLC<br>Bessa Lincoln College, Oxford II PLC<br>Bessa Lincoln College, Oxford III PLC<br>Bessa Lincoln College, Oxford IV PLC<br>Integral Plastics Group Plc<br>TUP Group Limited<br>Epinet Communications Plc<br>CHI Pensions Fund Trustees Limited<br>Dalmet Limited<br>Kestrel Injection Moulders Limited<br>Integral Composites Group Limited<br>SME Capital Limited<br>Hamlet Information Services Limited<br>Virgin Cars Limited<br>Virgin Cars (UK) Limited<br>Virgin Bikes Limited |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- 4.5.3 Philippe Schreiber
- |                                                                                                                          |                                                        |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <i>Present</i><br>Bill Barrett Corporation (USA)<br>Nantucket Soap Company LLC USA)<br>Roadlease (US Holdings) Inc (USA) | <i>Previous</i><br>Barrett Resources Corporation (USA) |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
- 4.6 Timothy Hearley was a director of:
- 4.6.1 Adroit Systems Limited, a software company in which he also was an investor, until 11 April 1994. The Company was placed into creditors' voluntary liquidation on 20 April 1994. The main creditors of this company were Timothy Hearley and a third party. The Company has no outstanding liabilities; and
- 4.6.2 Hampton Mouldings Limited, a subsidiary of Integral Composites Group Limited in which he was also an investor, until 21 February 2002. Hampton Mouldings Limited was placed into administrative receivership on 26 February 2002. The Company has no outstanding liabilities.
- 4.7 save as disclosed in paragraph 4.6 above, none of the Directors:
- 4.7.1 has any unspent convictions in relation to indictable offences;



- 4.7.2 has been bankrupt or the subject of an individual voluntary arrangement;
- 4.7.3 has been a director of a company which, while he was or within twelve months of his ceasing to be a director, was the subject of any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors;
- 4.7.4 has been a partner in any partnership which, while he was or within twelve months of his ceasing to be a partner, was the subject of any compulsory liquidation, administration or partnership voluntary arrangement;
- 4.7.5 has been a partner in any partnership which, while he was or within twelve months of his ceasing to be a partner, had a receiver appointed over any of its assets;
- 4.7.6 has had a receiver appointed over any of his assets;
- 4.7.7 has been publicly criticised by any statutory or regulatory authority (including recognized professional bodies);
- 4.7.8 has ever 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.

## **5. Directors' remuneration and service agreements**

- 5.1 By letters of appointment dated 25 February 2005 Caroline Belcher, Timothy Hearley and Philippe Schreiber each agreed to serve as Directors for a minimum period of one year and thereafter determinable by either party on three months' notice to the other. Timothy Hearley and Philippe Schreiber are receiving consultancy fees of £3,000 each for the first 6 months, to be reviewed thereafter. Philippe Schreiber also receives fees for his legal and other services to the Company. Caroline Belcher is on an annual salary of £13,000 by letter of appointment dated 25 February 2005, and will receive a fee of £10,000 for consultancy work to date. In addition Caroline Belcher may receive a commission of up to £1,300 if more than £400,000 is raised under the Offer.
- 5.2 The interests of the Directors in the Ordinary Shares are set out in paragraph 4.2 above. No options have been granted, or are presently proposed to be granted, to any of the Directors.
- 5.3 There are no loans or guarantees in existence provided by the Company for the Directors' benefit.

## **6. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that following the Offer the Company will have sufficient working capital available to satisfy its present requirements, that is for at least twelve months following Admission.

## **7. Material Contracts**

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by the Company since the date of its incorporation and is, or may be, material:

A letter of engagement dated 20 January 2005 from St Helen's Capital to the Company in respect of services in connection with the preparation of Documentation relating to the Offer and the intended Ofex application for a fee payable by the Company of £2,500 and 5 per cent of the funds raised by St Helen's Capital plus any applicable VAT.

## **8. Litigation**

The Company is and has not been involved in any governmental, legal or arbitration proceedings and no such proceedings are pending or threatened which may have or have had during the period since the incorporation of the Company a significant effect on the Company's financial position or profitability nor, so far as the Company is aware, are any such proceedings pending or threatened against the Company.

## **9. Premises**

The Company trades from 15 St Helen's Place, London EC3A 6DE under a licence from St Helen's Capital Plc. No specific payment is required to be made by the Company in respect of its occupation of the premises.

## **10. Taxation**

The following paragraphs, which are intended as a general guide only, are based on the Directors' understanding of current legislation and Inland Revenue practice as at the date of this Document. They summarise certain limited aspects of the UK taxation treatment of the holding of shares and they relate only to the position of individual and corporate Shareholders who hold their shares beneficially as an investment and who are resident or ordinarily resident in the UK for taxation purposes (except insofar as express reference is made to the treatment of non-UK residents), and should not be construed as constituting advice. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you are strongly advised to consult an appropriate independent professional adviser immediately.

On issue, the New Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a "recognised stock

exchange" (which for these purposes does not include Ofex) the Ordinary Shares should continue to be treated as unquoted securities.

#### 10.1 Capital Gains Tax ("CGT") - individuals, trustees and personal representatives

The Finance Acts 1998 and 2000 introduced various reforms to the taxation of gains realised by individuals, trustees and personal representatives. Affected Shareholders should note the following changes introduced by those acts:

Taper relief operates to reduce the amount of gain brought into charge to CGT by reference to the number of complete years during which assets have been held after 5 April 1998. It is a two-tier system depending on whether the asset qualifies as a business or non-business asset for taper relief purposes. With effect from 6 April 2000 shares in unlisted (which for this purpose includes shares quoted on AIM and Ofex) trading companies generally qualify as business assets. Prior to 6 April 2000, shares in trading companies only qualified as business assets if they were held by full time employees who held at least 5 per cent of the voting rights in the company or by a shareholder who held at least 25 per cent of the voting rights in the company.

Once shares which qualify as business assets throughout the period from acquisition (or 6 April 1998 if later) have been held for (i) a complete year the amount of gain brought into charge to CGT is reduced to 50 per cent (equivalent at present tax rates to a tax rate of 20 per cent for a higher rate taxpayer, and 10 per cent for those taxpayers with a gain that does not exceed their unused basic rate Income Tax band) and (ii) two complete years the amount of gain brought into charge to CGT is reduced to 25 per cent (equivalent at present tax rates to a tax rate of 10 per cent for a higher rate taxpayer, and 5 per cent for those individual taxpayers with a gain that does not exceed their unused basic rate Income Tax band).

For non-business assets, the amount of gain brought into the charge to CGT is reduced by 5 per cent for each complete year, in excess of two, that the asset is held after 5 April 1998. The maximum relief is achieved once the asset has been held for ten years when 60 per cent of the gain is charged to CGT (equivalent at present tax rates to a rate of tax of 24 per cent for a higher rate taxpayer and 12 per cent for those taxpayers with a gain that does not exceed their unused basic rate Income Tax band).

Non-business assets that were held before 17 March 1998 have one extra year added to their holding period. Indexation up to April 1998 is also available on shares acquired before that date. Taper relief is applied to the gain after any indexation allowance.

Where a gain is made on an asset that was a business asset for only part of the shareholder's holding period the gain is apportioned on a time basis between the period when it was a business asset and the period when it was not. Only the period of ownership after 6 April 1998 (or the last ten years of ownership if shorter) is taken into account for apportionment purposes. The gain is then treated as two separate gains with business asset taper relief applied to the business gain and non-business taper relief to the non-business gain.

#### Corporation Tax on chargeable gains - companies

Subscriptions for New Ordinary Shares will not give rise to a liability to Corporation Tax. Shareholders within the charge to UK Corporation Tax will be subject to Corporation Tax on chargeable gains when disposing of shares depending upon the shareholder's circumstances (which will include the availability of allowable losses). Indexation will be available (when calculating a chargeable gain but not an allowable loss) from the month of acquisition up to the month of disposal.

Certain disposals of substantial shareholdings (broadly a shareholding of at least 10 per cent) are exempt from Corporation Tax. In order to benefit from the exemption a number of conditions have to be satisfied. These relate to the company invested in, the shareholder and the shareholding itself and include a twelve-month holding period.

#### 10.2 Dividends

There is no withholding tax on dividends nor is the Company liable to account for any tax to the Inland Revenue in respect of dividends it pays.

A Shareholder who is an individual resident for tax purposes (an "individual shareholder") in the UK and who receives a dividend will be entitled to a tax credit equal (at current rates) to one ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit ("the gross dividend"). The rate of Income Tax on dividends is 10 per cent for both lower and basic rate taxpayers. The tax credit will discharge the Income Tax liability of an individual shareholder who is not liable to Income Tax at a rate greater than the basic rate but will not be repayable to an individual shareholder who is a non-taxpayer. Higher rate taxpayers will be liable to Income Tax at their current rate of 32.5 per cent on the gross dividend, so that such a higher rate individual shareholder will have an income tax liability, after taking into account the tax credit, equal to 25 per cent of the cash dividend.

It will not usually be possible for UK resident shareholders to claim repayment in respect of dividends.

A Shareholder that is a company resident for tax purposes in the UK will not generally be taxable on any dividend it receives from the Company if the shares are held as an investment, rather than as trading stock.

Shareholders resident outside the UK should consult their own professional adviser concerning their tax liabilities on dividends received from the Company. Such Shareholders should note that they will generally no longer be entitled to any payment from the UK Inland Revenue in respect of dividends paid.

### 10.3 Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons concerned with depository arrangements or clearance services to which special rules apply.

The issue of New Ordinary Shares by the Company will not give rise to a charge to Stamp Duty or Stamp Duty Reserve Tax ("SDRT").

Transfers of the Ordinary Shares for value will generally be subject to UK ad valorem Stamp Duty, normally at 0.5 per cent (rounded up to the nearest £5 in the case of transfers of certificated shares) of the amount or value of the consideration given for the transfer. Generally ad valorem Stamp Duty does not apply to gifts nor to transfers from a nominee to the beneficial owner, although in cases of transfers where no ad valorem Stamp Duty arises, a fixed UK stamp duty of £5 may be payable. Stamp Duty and SDRT is normally paid by the purchaser and is generally due and payable within 30 days of the execution of the relevant agreement.

An agreement to transfer the Ordinary Shares for money or moneys worth will normally give rise to a charge to SDRT at the rate 0.5 per cent of the amount or value of the consideration payable by the purchaser. The SDRT charge will generally arise where an agreement for the sale of the Ordinary Shares is not followed by an instrument of transfer that is duty stamped (for example, shares transferred in uncertificated form). SDRT is generally chargeable whether the agreement is effected in the UK or elsewhere and whether or not any party is resident or situated in the UK. The SDRT charge is cancelled if the stamp duty is paid on an instrument before the date of payment, or is repaid if an instrument is duly stamped after the date on which the SDRT charge has been paid. A claim for repayment or cancellation must be made within six years of the date of the relevant agreement.

The above statements are intended as a general guide to UK tax law and practice. Any person who is in doubt as to his taxation position or requires information, which is more detailed than the general outline above, should consult his professional advisers.

## 11. General

- 11.1 Save as disclosed herein, there has been no significant change in the financial or trading position (or any significant recent trends concerning the development of the business) of the Company or any of its subsidiaries since 3 February 2005, the date on which the Company was incorporated.
- 11.2 The financial information relating to the Company in the Accountants' Report contained in Part Three of this Document does not constitute statutory accounts within the meaning of section 240(5) of the Act. No accounts have been prepared as the Company has not yet commenced business.
- 11.3 The financial information relating to the Company in Part Three of this Document has been prepared in accordance with the laws applicable to the Company and the Directors accept responsibility for it.
- 11.4 The Offer is being made by St Helen's Capital Plc on behalf of the Company. St Helen's Capital Plc is regulated by the Financial Services Authority, is registered in England and Wales with company number 3515836 and its registered office is at 15 St Helen's Place, London, EC3A 6DE.
- 11.5 Of the Offer Price, 0.5p represents the nominal value and 39.5p represents the premium.
- 11.6 The subscription list will open at 10.00 am on Monday 26 September 2005 and may be closed at any time thereafter but in any event no later than Thursday 13 October 2005.
- 11.7 The Company has agreed to pay St Helen's Capital a commission of 5 per cent of the funds raised in the Offer by St Helen's Capital and to pay others commissions of up to 5 per cent of the funds raised in the Offer by them.
- 11.8 The Minimum Amount to be raised is £100,000. This amount will be used as follows:  
£74,000 for working capital;  
£26,000 for the expenses of the Offer.
- 11.9 Save as disclosed herein (and in particular in paragraphs 5.1, 7 and 11.7 of Part Four), no person (excluding professional advisers named herein and trade suppliers) has received, directly or indirectly from the Company, since the date of incorporation of the Company, any of the following:
- 11.9.1 fees totalling £10,000 or more;
- 11.9.2 securities in the Company with a value of £10,000 or more calculated by reference to the Offer Price; or
- 11.9.3 any other benefit with a value of £10,000 or more at the date of this Document, nor has any person entered into contractual arrangements to receive, directly or indirectly, from the Company any of the above on or after the Offer.

- 11.10 The proceeds of the Offer, assuming full subscription, are estimated at £500,000 (gross) leaving a net sum of £454,000 for the Company after expenses of £46,000 (inclusive of irrecoverable VAT) which will be paid by the Company.
- 11.11 The Company has appointed SLC Registrars Limited as registrars and as paying agents for any dividends declared.
- 11.12 The accounting reference date of the Company is 31 March and the current accounting reference period of the Company will end on 31 March 2006.
- 11.13 This Document does not constitute an offer to sell, nor the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and is not being mailed or otherwise distributed or sent in or into the United States, Canada, Japan or Australia. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 as amended, or under the applicable securities laws of Canada, Japan or Australia and may not, subject to certain exceptions, be offered, sold, transferred, taken up or delivered in the United States of America, Canada, Japan or Australia.
- 11.14 St Helen's Capital has given, and has not withdrawn, its written consent to the inclusion of its name in this Document in the form and the context in which it appears.
- 11.15 H W Fisher & Company have given and have not withdrawn their written consent to the issue of this Document with the inclusion herein of their letter and report set out in Part Three and references thereto and to their name in the form and context in which they appear. H W Fisher and Company has stated that they have not become aware since the date of their report of any matter affecting the validity of their report as at that date.
- 11.16 Copies of this Document will be available free of charge to the public from the date of this Document for not less than 14 days at the offices of St Helen's Capital Plc, 15 St Helen's Place, London EC3A 6DE. Copies of this Document may be inspected after that date for a period of one month after Admission.

## **12. Documents available for inspection**

Copies of the following Documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays accepted) at the registered office of the Company, 15 St Helen's Place, London EC3A 6DE up to and including 17 October 2005.

- 12.1 the Memorandum and Articles of Association of the Company;
- 12.2 the Accountants report set out in Part Three of this Document;
- 12.3 the material contracts referred to in paragraph 7 of Part Four above; and
- 12.4 the consent letters referred to in paragraphs 11.14 and 11.15 of Part Four above.

DATE: 23 September 2005

## PART FIVE

### TERMS AND CONDITIONS OF THE OFFER

1. The basis of the allotment of New Ordinary Shares will be determined by the Directors in their absolute discretion. The right is reserved to reject any application or to accept any application in part only. If any application is not accepted, the amount paid on application will be returned without interest, in each case by cheque sent through the post at the applicant's risk.
2. The right is reserved to present all cheques and banker's drafts on receipt, and to retain certificates for the New Ordinary Shares pending the clearance of all cheques. Monies received under the Offer will be placed in a separate account by SLC and will be held on trust for the applicant until the Minimum Amount has been received. Thereafter all monies in such account will be held for the Company. If the Minimum Amount is not received by the closing date, SLC will return applicants' cheques or repay the sums due to the applicants, without interest. Interest will be retained by SLC to defray the costs and expenses of operating the account and refunding monies to the applicants. Share certificates, with any monies to be refunded, will be sent by first class post at the risk of applicants within 14 days of acceptance, and in any event no later than Monday 17 October 2005. If the Minimum Amount is not received, application monies will be returned by post at the risk of applicants no later than Friday, 21 October 2005.
3. No person receiving a copy of this Document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to him or her, nor should he or she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him or her or such Application Form could lawfully be used without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to full observance of the laws of the relevant territory in connection therewith including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.
4. The New Ordinary Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended, and the relevant exemptions are not being obtained from the securities regulatory authority of Canada. Except in a transaction which is exempt under the relevant legislation, the New Ordinary Shares may not be directly or indirectly offered, sold or delivered in the United States, Canada or Australia or to US persons or to persons resident in Canada or Australia nor may an Application Form be lodged by any such persons.
5. For the purposes of this Document, "United States" means each state of the United States of America, each state thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction. "Canada" means Canada and each province thereof. "Australia" means Australia and each state or territory thereof. "US person" has the meaning given in Regulation S promulgated under the Securities Act and "resident in Canada" means a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Canada, or any estate or trust the income of which is liable to Canadian income tax regardless of its source. "Resident in Australia" means a citizen, national or resident of Australia, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Australia, or any estate or trust the income of which is liable to Australian income tax regardless of its source. Each person who completes an Application Form warrants that he or she is not a US person or a person resident in Canada or Australia and that he or she will not hold or acquire any of the New Ordinary Shares for the account or benefit of any US person or person resident in Canada or Australia or with the view to the offer, sale or delivery directly or indirectly of any New Ordinary Shares in the United States or Canada or any province thereof or Australia or any state or territory thereof or to or for the account of any US person or person resident in Canada or Australia.
6. Persons resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Offer.
7. By completing and delivering an Application Form, you as the applicant (and if you sign the Application Form on behalf of somebody else or on behalf of a corporation, that person or corporation):
  - (a) irrevocably offer to take under the Offer the number of New Ordinary Shares specified in the Application Form, on the terms of, and subject to, the conditions set out in this Document, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;

(b) agree that you will accept the number of New Ordinary Shares allotted to you in accordance with paragraph 1 above or such lesser number of New Ordinary Shares in respect of which this application may be accepted;

(c) agree that all applications, acceptances, allotments and contracts arising from this application will be governed by, and construed in accordance with, English Law;

(d) warrant that if you sign the Application Form on behalf of somebody else or on behalf of a corporation you have the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmation, warranties and undertakings contained in these terms and conditions of application;

(e) confirm that you are not relying on any information or representations other than those contained in this Document;

(f) warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if it is not honoured the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the relevant New Ordinary Shares and may allot them to some other person in which case you will not be entitled to any refund or payment in respect thereof;

(g) agree that this application constitutes a contract with the Company which shall become binding upon delivery of the Application Form, duly completed at the address shown on the Application Form;

(h) do not expect the Company or any of its advisers to provide you with any duty or responsibility similar or comparable to the "suitability" rule of The Financial Services Authority and are taking shares under the Offer on an "execution only" basis;

(i) warrant that you are not connected with the Company and will notify the Directors immediately in writing if you become connected as defined in Section 839 of the Income and Corporation Tax Act 1988;

(j) declare that you have read, understood and agree to the terms and conditions contained in this Document and the Application Form including the risk factors set out in Section Two of the Document. You have taken all the appropriate professional advice, which you consider necessary before submitting your application and you are aware of the special risks involved in participating in an investment of this nature and you understand that your application is made upon the terms of this Document and the Application Form;

(k) warrant that the New Ordinary Shares will be held by you for investment purposes; and

(l) warrant that you are entitled to subscribe for the New Ordinary Shares under the laws of all relevant jurisdictions which apply to you, that you have fully observed such laws and obtained all governmental and other consents which, may be required thereunder and complied with all necessary formalities.

8.1 It is a term of the Offer that to ensure compliance with the Proceeds of Crime Act 2002, the Money Laundering Regulations 2003 and the Money Laundering Sourcebook of the FSA Handbook, each of the Company and SLC as receiving agent on its behalf is entitled to require at its absolute discretion verification of identity from any person lodging an Application Form (an "applicant") including, without limitation, any person who either:

(a) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant; or

(b) appears to the Company or SLC to be acting on behalf of some other person.

Pending the provision of evidence satisfactory to the Company or SLC as to the identity of the applicant and/or any person on whose behalf the applicant appears to be acting, the Company or SLC, in their absolute discretion, may retain an Application Form lodged by an applicant and/or the cheque or other remittance pertaining thereto and/or not enter the applicant on the register of members or issue any share certificate in respect of them.

8.2 If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. In order to avoid this, payment should ideally be made by means of a cheque drawn by the person named on the Application Form. If this is not practicable and a cheque drawn by a third party or building society cheque or banker's draft is used, the applicant should:

(a) write the name and address of the person named on the Application Form on the back of the cheque, building society cheque or banker's draft and, in the case of an individual, record his/her date of birth against his/her name;

(b) if a building society cheque or banker's draft is used, the building society/bank should be asked to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited. The building society/bank endorsement should be overlaid with the branch stamp;

(c) if the application is being made as agent for one or more persons, the applicant should indicate on the Application Form whether he/she is a United Kingdom or EC regulated person or institution (e.g. bank or broker) and specify his/her status. If he/she is not a United Kingdom or EC regulated person or institution, he/she should contact SLC in the first instance for guidance.

8.3 The Company reserves the right, in its absolute discretion, for it or SLC to reject any application in respect of which the Company or SLC considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the monies payable or paid in respect of the application will be returned without interest to the account of the drawee bank from which sums were originally debited and/or to endeavour to procure other subscribers for the New Ordinary Shares in question (but in each case without prejudice to any rights the Company and/or SLC may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute a warranty and undertaking by the applicant to the Company and to SLC to provide promptly to SLC such information as may be specified by the Company or SLC as being required for the purpose of the Money Laundering Regulations 2003.

8.4 None of the Company, SLC and their advisers shall be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company or SLC or their advisers to treat an application in respect of New Ordinary Shares lodged by any applicant as invalid or to terminate any contract of allotment as a result of the Company or SLC not having received evidence as to the identity of the person lodging the relevant Application Form reasonably satisfactory to it within a reasonable time of having requested such information.

#### 9. Taxation and Stamp Duty

Certain details regarding taxation, stamp duty and stamp duty reserve tax are set out in paragraph 11 of Part Four of this Document. If you are in any doubt as to your tax position, you should consult your own professional adviser.

#### 10. Settlement and Dealing

10.1 Definitive certificates in respect of the New Ordinary Shares are expected to be despatched within 14 days of acceptance, and in any event by no later than 17 October 2005. No temporary Documents of title will be issued and pending the issue of definitive share certificates, transfers will be certified against the register.

10.2 All Documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk. All payments under the Offer must be made in pounds sterling.

#### 11. Further Information

Your attention is drawn to the further information set out in this Document and the terms and conditions set out in the Application Form.

## PART SIX

### APPLICATION PROCEDURE AND APPLICATION FORM

Before making any application to subscribe for New Ordinary Shares, you are recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. The following instructions should be read in conjunction with the Application Form and the terms and conditions of application set out in this Document.

Applications must be for a minimum of 5,000 New Ordinary Shares and thereafter in multiples of 2,500 New Ordinary Shares.

1. Insert in Box 1 (in Figures) the number of New Ordinary Shares for which you are applying.
2. Insert in Box 2 (in figures) the amount of your cheque or banker's draft.

For example, the amount payable for different multiples of New Ordinary Shares is as follows:

Number of New Ordinary Shares	Amount payable (£)
5,000	2,000
10,000	4,000
15,000	6,000
20,000	8,000
25,000	10,000
50,000	20,000
75,000	30,000
125,000	50,000
250,000	100,000

3. Insert your full name and address in **BLOCK CAPITALS** in Box 3.
4. Sign and date the Application Form in Box 4.

The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s)) if that person is duly authorised to do so, but the power(s) of attorney (or a copy (or copies) thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

5. You must pin a single cheque or banker's draft to your completed Application Form in Box 5. Your cheque or banker's draft must be payable to "SLC Registrars Limited A/C Cap Energy" for the amount payable on application (inserted in Box 2) and should be crossed "A/C payee only".

A separate cheque or banker's draft must accompany each application. No other method of payment is acceptable. No receipt will be issued for this payment. Your cheque or banker's draft must be drawn in Sterling and bear a UK bank sorting code in the top right-hand corner. An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person named in Box 3.

6. You may apply jointly with up to three other persons. If you are applying jointly you must arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in **BLOCK CAPITALS** in Box 6.
7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).
8. By completing and returning the Application Form you irrevocably undertake, confirm and agree that:
  - (a) you are not a national or resident of the United States of America (including the territories, its possessions and all areas subject to its jurisdiction) or Canada, or Australia or a corporation, partnership or other entity organized under the laws of the United States of America or Canada (or any political sub-division of either) or Australia and that you will not offer, sell or deliver directly or indirectly any of the New Ordinary Shares under the Offer in the United States of America or Canada or Australia or to or for the benefit of any person resident in the United States of America or Canada or Australia;



- (b) you are entitled to take New Ordinary Shares under the Offer comprised herein under the laws of all relevant jurisdictions which apply to you, that you have fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities; and
- (c) you have read the section headed “Risk Factors” in Part Two of this Document and confirm that you understand the nature of the risks and that you could lose all your investment in the Company.

Please return the completed Application Form by post or by hand to:

**SLC Registrars Limited  
42-46 High Street  
Esher  
Surrey  
KT10 9QY**

# APPLICATION FORM

## Cap Energy Ltd

**IMPORTANT:** Before completing this Application Form you should read the above terms and conditions of application and the above notes on how to complete the Application Form. Boxes 1 - 4 must be completed by all applicants. Your remittance must be pinned at Box 5. Boxes 6 and 7 must be completed in the case of joint applicants. Applications must be for a minimum amount of 5,000 New Ordinary Shares (£2,000) and thereafter in multiples of 2,500 New Ordinary Shares.

**PLEASE RETURN YOUR COMPLETED APPLICATION FORM BY POST OR DELIVER IT BY HAND TO SLC REGISTRARS LIMITED, 42-46 HIGH STREET, ESHER, SURREY KT10 9QY SO AS TO ARRIVE NOT LATER THAN 3.00PM ON THURSDAY 13 OCTOBER 2005.**

I/We irrevocably offer to subscribe for per share	Ordinary Shares of 0.5p each at 40p	<b>1</b>
------------------------------------------------------	-------------------------------------	----------

in Cap Energy Ltd on the terms and subject to the conditions of application set out in the Document of which this Application Form is part and the Memorandum and Articles of the Company

and I/we attach a cheque or banker's draft for the amount payable at 40p per Ordinary Share, namely £	<b>2</b>
-------------------------------------------------------------------------------------------------------	----------

### PLEASE USE BLOCK CAPITALS

Mr/Mrs/Miss/Ms or Title	Forename(s) (in full):	Surname:	<b>3</b>
Address:		Tel:	
Postcode:		E-mail:	

I confirm that I have read Part Two of this Document ("Risk Factors") and Part Five of this Document ("Terms and Conditions of the Offer").

Signature:	Date:	<b>4</b>
------------	-------	----------

<b>Pin your cheque or banker's draft here for the amount shown in Box 2 made payable to SLC Registrars Limited A/C Cap Energy</b>	<b>5</b>
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Boxes 6 and 7 must be completed in the case of joint applicants only. **PLEASE USE BLOCK CAPITALS**

Mr/Mrs/Miss/Ms or Title	Mr/Mrs/Miss/Ms or Title	Mr/Mrs/Miss/Ms or Title	<b>6</b>
Name(s) in full:			
Address:			
Postcode:			
Signature:	Signature:	Signature:	<b>7</b>