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Application will be made for the Existing Ordinary Shares and New Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange plc (“AIM”). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (“Official List”).

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM (“AIM Rules”) are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, neither the London Stock Exchange plc nor the United Kingdom Listing Authority have examined or approved the contents of this document.

This document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) (“the POS Regulations”) and the AIM Rules, has been delivered to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations and has been issued in connection with the application for admission of the ordinary share capital of Hawthorn Holdings plc to trading on AIM.

HAWTHORN HOLDINGS PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985
under registered number 04020844)*

PROPOSED ACQUISITION OF STRIKE LUCKY GAMES LIMITED

PROPOSED SHARE CAPITAL REDUCTION

PROPOSED CHANGE OF COMPANY NAME TO DM PLC



*Nominated Adviser to the Company
ALTIUM CAPITAL LIMITED*

Altium Capital Limited (“Altium”) is authorised and regulated by the Financial Services Authority. Persons receiving this document should note that Altium is acting exclusively for the Company and is not acting for any recipient of this document. Altium will not be responsible to anyone other than the Company for providing either protections afforded to customers or clients of Altium or for providing advice relevant to the contents of this document.

Altium has been appointed as nominated adviser to the Company in accordance with the AIM Rules. Altium has confirmed to the London Stock Exchange plc that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that to the best of its knowledge and belief all relevant requirements of the AIM Rules have been complied with. Altium 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. Altium 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 and Proposed Directors are solely responsible.

The Directors and Proposed Directors of Hawthorn Holdings plc, whose names appear on page 5 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and Proposed 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.

Altium has not authorised the contents of this document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and no representation or warranty, express or implied, is made by Altium as to any of the contents of this document.

The whole text of this document should be read. The attention of investors is drawn to “Risk Factors” set out in Part II of this document.

The New Ordinary Shares will, on Admission, rank *pari passu* with all other Ordinary Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company.

A notice convening an Extraordinary General Meeting of the Company is set out at the end of this document. A Form of Proxy for use at this meeting is enclosed with this document and should be returned as soon as possible, and in any event, so as to be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11 a.m. on 23 August 2004, being 48 hours before the time appointed for the holding of the EGM.

CONTENTS

	<i>Page</i>
Definitions	3
Directors, Proposed Directors, Secretary and Advisers	5
Expected Timetable of Principal Events	6
Share Capital Statistics	6
PART I: LETTER FROM THE CHAIRMAN OF HAWTHORN HOLDINGS PLC	7
Introduction	7
Background to and reasons for the Proposals	8
Information on Strike Lucky	8
Current trading and prospects	8
The market	8
Reasons for the Acquisition	9
Principal terms of the Acquisition	9
Proposed board	9
Proposed Share Capital Reduction	10
Share options	11
Lock-in arrangements	11
Dividend policy	11
Taxation	11
Corporate governance	11
The City Code on Takeovers and Mergers	12
Extraordinary General Meeting	12
Admission and dealing arrangements	13
Action to be taken	13
Recommendation	13
PART II: RISK FACTORS	14
PART III: ACCOUNTANTS' REPORT ON HAWTHORN HOLDINGS PLC	16
PART IV: ACCOUNTANTS' REPORT ON STRIKE LUCKY GAMES LIMITED	25
PART V: ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS	33
PART VI: ADDITIONAL INFORMATION	34
NOTICE OF EXTRAORDINARY GENERAL MEETING	55
FORM OF PROXY	59

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended);
“Acquisition”	the proposed acquisition of the entire issued share capital of Strike Lucky;
“Acquisition Agreement”	the conditional agreement dated 26 July 2004 between (1) A J Williams and W E Ruck and (2) the Company, details of which are set out in paragraph 13.1.3 of Part VI of this document;
“Admission”	the admission to trading on AIM of the Existing Ordinary Shares and the New Ordinary Shares and such admission becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the Alternative Investment Market operated by the London Stock Exchange;
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing admission to and operation of AIM;
“Altium”	Altium Capital Limited, the Company’s nominated adviser;
“Altium Warrant”	the warrants created by deed poll dated 24 July 2000 granting Altium the right to subscribe (as varied) for 25,000 Ordinary Shares at £2 a share, details of which are set out in paragraph 7.3 of Part VI of this document;
“Board” or “Directors”	the existing directors of the Company, whose names are set out on page 5 of this document;
“City Code”	the City Code on Takeovers and Mergers;
“Company” or “Hawthorn”	Hawthorn Holdings plc (registered in England and Wales under number 04020844);
“Concert Party”	the Vendors, further details of whom are set out in paragraph 5.25 of Part VI;
“Consideration Shares”	the 118,196,530 ordinary shares of 1 pence each to be issued and allotted by the Company to the Vendors pursuant to the terms of the Acquisition;
“Court”	the High Court of Justice in England and Wales;
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
“Earn-out Loan Notes”	up to £1.5 million in unsecured non-qualifying corporate bond loan notes of £1 denomination, created pursuant to the loan note instrument dated 26 July 2004, details of which are set out in paragraph 13.1.4 of Part VI of this document;
“Enlarged Group”	the Company, its subsidiary and Strike Lucky and its subsidiaries following Admission;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 11 a.m. on 25 August 2004, notice of which is set out at the end of this document;
“Existing Ordinary Shares”	the existing 5,720,870 issued ordinary shares of £1 each in the capital of the Company;
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM;
“ICSTIS”	the Independent Committee for the Supervision of Standards of Telephone Information Services;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the Consideration Shares and the Success Fee Shares;

“Notice”	the notice of the EGM set out at the end of this document;
“Official List”	the Official List of the UKLA;
“Ordinary Shares”	ordinary shares of £1 each in the capital of the Company which, pursuant to the Share Capital Reduction, will become ordinary shares of 1 pence each;
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended);
“Proposals”	the Acquisition, Share Capital Reduction, name change and other matters in respect of which resolutions are to be proposed at the EGM, as set out in this document;
“Proposed Directors”	A J Williams, W E Ruck, and J Gommès who will be the members of the board of Hawthorn as set out on pages 9 and 10 of this document, following completion of the Proposals;
“Proposed Non-Executive Director”	John Gommès, who will upon Admission be the only non-executive member of the board of the Company as set out on page 11 of this document, following completion of the Proposals;
“Regulators”	collectively ICSTIS, Advertising Standards Authority, Data Protection Commissioner, Trading Standards Officers and other bodies pursuant to the legislation relating to lotteries;
“Resolutions”	the resolutions set out in the Notice;
“Shareholders”	holders of Existing Ordinary Shares;
“Share Capital Reduction”	the proposed reduction in the share capital of the Company and the cancellation of its share premium account, further details of which are set out in Part I of this document;
“SMS”	short message service;
“Strike Lucky”	Strike Lucky Games Limited (registered in England and Wales under number 02855730);
“Strike Lucky Shares”	the 100 issued ordinary shares of £1 each in the capital of Strike Lucky;
“Success Fee”	a fee of £60,000 payable to Altium in 500,000 ordinary shares of 1 pence each immediately after Admission;
“Success Fee Shares”	the 500,000 ordinary shares of 1 pence each to be issued and allotted by the Company to Altium in satisfaction of the Success Fee;
“Takeover Panel”	the Panel on Takeovers and Mergers;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	The United Kingdom Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000; and
“Vendors”	A J Williams and W E Ruck.

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	Jeffrey Michael Blackburn Ian Aspinall John Michael Edelson Julian Richer all of Third Floor 345 Stockport Road Manchester M13 0LF	(Non-Executive Chairman) (Finance Director) (Non-Executive Director) (Non-Executive Director)
Proposed Directors	Adrian John Williams Wendy Ruck John Gommès all of Boscombe House 20 Station Street Ross-on-Wye Herefordshire HR9 7AG	(Chairman & Chief Executive) (Operations Director) (Non-Executive Director)
Registered Office	Third Floor 345 Stockport Road Manchester M13 0LF	
Company Secretary	Ian Aspinall, FCA	
Nominated Adviser to the Company	Altium Capital Limited 5 Ralli Courts West Riverside Manchester M3 5FT	
Broker to the Company	Rowan Dartington & Co. Limited 7th Floor Colston Tower Colston Street Bristol BS1 4RD	
Auditors and Reporting Accountants	Horwath Clark Whitehill LLP Arkwright House Parsonage Gardens Manchester M3 2HP	
Solicitors to the Company	Kuit Steinart Levy 3 St Mary's Parsonage Manchester M3 2RD	
Solicitors to Strike Lucky	Davies and Partners 135 Aztec West Almondsbury Bristol BS32 4UB	
Solicitors to Altium	Hill Dickinson 50 Fountain Street Manchester M2 2AS	
Principal Bankers	National Westminster Bank plc 1st Floor St John's House Church Street Bromsgrove Worcestershire B61 8DN	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2004</i>
Circular publication date	29 July
Latest time for receipt of proxies	11 a.m. 23 August
Extraordinary General Meeting	11 a.m. 25 August
Expected date of Court hearing (on or around)	22 September
Admission effective and dealings commence (on or around)	23 September
CREST stock accounts credited (as applicable)	23 September
Share certificates expected to be dispatched by	30 September

Note: the expected timetable following the EGM is indicative only, and will depend on the timetable fixed by the Court

SHARE CAPITAL STATISTICS

The table below sets out the changes to the share capital of the Company before and after the Proposals.

Existing issued share capital	5,720,870	£1 ordinary shares
Issued share capital following the Share Capital Reduction	5,720,870	1p ordinary shares
Consideration Shares	118,196,530	1p ordinary shares
Success Fee Shares	500,000	1p ordinary shares
Issued share capital following the issue of New Ordinary Shares	124,417,400	1p ordinary shares

PART I
LETTER FROM THE CHAIRMAN
HAWTHORN HOLDINGS PLC
(Registered in England and Wales under no. 04020844)

Directors

Michael Blackburn *(Non-Executive Chairman)*
Ian Aspinall *(Finance Director and Company Secretary)*
Michael Edelson *(Non-Executive Director)*
Julian Richer *(Non-Executive Director)*

Registered and Head Office

Third Floor
345 Stockport Road
Manchester
M13 0LF

29 July 2004

To: the holders of Existing Ordinary Shares and holders of outstanding options and warrants

Dear Shareholder

PROPOSED ACQUISITION OF STRIKE LUCKY GAMES LIMITED
PROPOSED SHARE CAPITAL REDUCTION
PROPOSED CHANGE OF COMPANY NAME TO DM PLC

INTRODUCTION

It was announced today that the Company has conditionally agreed to acquire the entire issued share capital of Strike Lucky for an initial consideration of £14.184 million, to be satisfied by the issue and allotment of 118,196,530 Consideration Shares at a price of 12 pence per share being the price at which Hawthorn's share price was suspended on 4 November 2003. In addition, dependent on the profitability of Strike Lucky in the three financial periods ending 31 December 2006, the Vendors will be entitled to Earn-out Loan Notes up to a maximum of £1.5 million resulting, in an aggregate maximum consideration of £15.684 million. Redemption of the Earn-out Loan Notes will not be due until at least six months after the date of their issue and is subject to sufficient working capital headroom being available in the Enlarged Group for the purpose. As part of the Proposals, the Company's name is to be changed to DM plc and a resolution to this effect is to be proposed at the EGM.

Due to the accumulated losses of Hawthorn's former trading subsidiary, the value of the Company's paid up share capital is not representative of its available assets. Furthermore, the Company is precluded from paying dividends while it has a deficit on its profit and loss account. Therefore, it is proposed that the Company undertakes a capital reduction which will involve the cancellation of 99 pence of the capital paid up on each issued ordinary share of £1 each and the cancellation of the share premium account of the Company. This will leave each Shareholder with one ordinary share of 1 pence in place of each current ordinary share of £1. Approval of the Share Capital Reduction will result in the Company's existing issued share capital being reduced from £5,720,870 to £57,208.70 but will not change the number of shares held by each Shareholder. Resolutions to approve the Share Capital Reduction are included in the Notice. The Share Capital Reduction is also subject to the approval of the Court.

For the purposes of the AIM Rules the Acquisition is classified as a reverse takeover and for that reason, dealings in the Existing Ordinary Shares were suspended on 4 November 2003 at a mid-market price of 12 pence per share. The suspension was today lifted following announcement of the Proposals and the publication of this document. In view of this classification, the acquisition of Strike Lucky is conditional upon the approval of Shareholders at the EGM. Application will be made to the London Stock Exchange for the re-admission of the Existing Ordinary Shares and admission of the New Ordinary Shares to trading on AIM. Dealings are expected to commence in the New Ordinary Shares following approval of the Share Capital Reduction by the Court on or around 23 September 2004. The Acquisition is therefore conditional upon, *inter alia*, the Share Capital Reduction.

The purpose of this document is to provide you with information on, and to seek your approval for, *inter alia*, the Acquisition, the Share Capital Reduction and the change of name. Shareholders are invited to approve the Proposals and the resolutions necessary to implement them. The Resolutions

are all inter-conditional so that if any one of the Proposals does not gain the approval of Shareholders at the EGM, none of them will be implemented.

An EGM of the Company is being convened at which Shareholders will be asked to consider and pass the Resolutions. A notice convening the EGM is set out at the end of this document. Hawthorn has received irrevocable undertakings to vote in favour of the Proposals at the EGM in respect of 3,019,051 Existing Ordinary Shares, representing approximately 52.77 per cent. of the Company's current issued share capital.

BACKGROUND TO AND REASONS FOR THE PROPOSALS

Since the disposal of the Company's trading subsidiaries on 8 July 2003, your Board has been seeking to identify suitable companies to whom the Company's cash and AIM listing were attractive and with whom to undertake an appropriate transaction. Your Board believes that the Proposals are in the best interests of Shareholders.

Strike Lucky is a profitable designer and promoter of a proprietary range of games of skill and chance. Your Board believes that the executive management team of Strike Lucky has a proven track record of commercial success and that the Acquisition should therefore provide Shareholders with the opportunity to participate in a profitable business.

INFORMATION ON STRIKE LUCKY

Strike Lucky is a profitable designer and promoter of a proprietary range of games of skill and chance in a variety of formats including cards and newspaper inserts. Games are promoted through a variety of printed media such as local and national newspapers and magazines via loose inserts rights acquired by Strike Lucky. Games are also promoted directly to Strike Lucky's customers. Revenue is generated by respondents telephoning premium rate lines. Revenue is also generated by the sale and rental of respondents' details from Strike Lucky's database of approximately 3 million customers.

Strike Lucky was established in 1993 by the current owner manager, Adrian Williams, since when it has been developed into a successful and cash generative business. Strike Lucky outsources the majority of its business services, including its media space procurement, database management, printing and production of games while retaining (in-house) the design and development of games.

Operating within a highly regulated market, Strike Lucky's game format has been checked for compliance by specialist lawyers and reviewed for compliance by the Regulators. Strike Lucky is a founder member of the Premium Rate Association and has never been fined by ICSTIS, which regulates premium rate telecommunications.

CURRENT TRADING AND PROSPECTS

Hawthorn is currently a non-trading company whose principal asset is cash and as such, following the Acquisition, the only activities of the Enlarged Group will be those of Strike Lucky.

For the year ended 31 December 2003, Strike Lucky generated a turnover of £5,470,000 and profits before taxation of £1,209,000. As at 31 December 2003, Strike Lucky had net assets of £3,304,000, further details of which are set out in the *pro forma* statement in Part V.

The trading of Strike Lucky is in line with management expectations and the Strike Lucky executive management are confident about the prospects for the full year.

There has been no material change in the trading or financial position of Strike Lucky since 31 December 2003, the date to which the last audited consolidated accounts of Strike Lucky were published.

Following the Proposals, Strike Lucky's commercial strategy is to continue to expand the type and range of games it offers. The increasing size of its customer database, combined with the additional data now being collected per individual customer, is expected by Strike Lucky's executive management to provide an opportunity for increased business. Strike Lucky is already increasing its channels to market through the initiation of new joint venture arrangements to provide SMS games and other games services to mobile phone owners. In 2002/03 Strike Lucky successfully expanded into the Irish market and is currently investigating the provision of games in mainland Europe for the first time.

THE MARKET

The market place for Strike Lucky's games is highly competitive and difficult to define since reliable figures for the market size in the UK are not available. Furthermore, the European market (excluding

the UK) for games such as those provided by Strike Lucky, is fragmented and to date has not been well-developed. However, Strike Lucky's executive management considers that, having regard to the established media contacts the company has made and the knowledge of the market place built up since 1993, Strike Lucky is well placed to develop its current markets and profitably exploit new opportunities.

REASONS FOR THE ACQUISITION

The Directors and Proposed Directors believe that the Acquisition is in the best interests of Shareholders due to:

(a) *Strike Lucky Trading*

Strike Lucky has been a historically cash generative and profitable business. For the three years ended 31 December 2003, Strike Lucky has generated an aggregate turnover of £19,439,000 and aggregated profits before taxation (after adjusting for directors' bonuses) of £4,834,000. For the year ended 31 December 2003, Strike Lucky generated a turnover of £5,470,000 and profits before taxation of £1,209,000.

(b) *Increased Corporate Profile*

The trading of the Enlarged Group will benefit in its interactions with the major media companies due to a market listing. Feedback from Strike Lucky's list brokers, who seek opportunities to market the company's database of approximately 3 million customers, has indicated that major businesses who utilise direct mail marketing and who are often themselves public companies, prefer transacting with companies with similar profiles.

(c) *Acquisition Consideration*

The ability to issue shares as acquisition currency may assist the Enlarged Group in the acquisition of synergistic businesses. Previous discussions with third parties have indicated to Strike Lucky's executive management the potential value of quoted shares as acquisition currency.

PRINCIPAL TERMS OF THE ACQUISITION

Hawthorn has agreed, subject to, *inter alia*, Shareholder approval, to acquire the entire issued share capital of Strike Lucky for a consideration of £14.184 million, by the issue and allotment of 118,196,530 Consideration Shares at a price of 12 pence per share. Following the allotment of the New Ordinary Shares, Shareholders would hold approximately 4.60 per cent. of the Company's issued share capital while the Vendors would hold 95 per cent. In addition, dependent on the profitability of Strike Lucky in the three financial periods ending 31 December 2006, the Vendors will also be entitled to be issued up to a maximum of £1.5 million of Earn-out Loan Notes bearing interest at 4 per cent. above the base rate of National Westminster Bank plc in respect of additional consideration. Redemption of the Earn-out Loan Notes will not be due until at least six months after the date of their issue and is subject to sufficient working capital headroom being available in the Enlarged Group for the purpose. Further details of the terms of the Acquisition and the Earn-out Loan Notes are set out in paragraphs 13.1.3 and 13.1.4 respectively.

The Acquisition will be conditional, *inter alia*, upon Shareholder approval at the EGM, approval of the Share Capital Reduction by the Court and admission of the Existing Ordinary Shares and New Ordinary Shares to trading on AIM.

PROPOSED BOARD

The Directors have agreed to resign from the Board following approval and implementation of the Proposals. None of the Directors who are resigning will receive any compensation for loss of office or any other payment from the Company, in connection with the Proposals or otherwise. The Company currently has no employees.

Following completion of the Proposals, the board of the Enlarged Group will consist of two executive directors and one non-executive director. Brief biographies of each of the Proposed Directors are set out below:

Adrian Williams, Chairman and Chief Executive, aged 46

Adrian studied Economics and Marketing at university before joining a computer software company in Ross-on-Wye in 1981. He then became marketing director of a fire protection company prior to

leading a management buy-in of a toys and gifts company in 1990. In 1992, Adrian founded Scenic Maps Limited which provides 3-D maps for town and city centres. Adrian founded Strike Lucky in 1993.

Wendy Ruck, Operations Director, aged 45

Wendy has enjoyed a sales career within both the public and private sectors. Furthermore, Wendy has managed recruitment and training within the UK for direct sales companies. Wendy now manages these functions for Strike Lucky, whilst also directing the prize fulfilment operations.

John Gommes, Non-Executive director, aged 63

From 1963 to 1975, John was a director of a number of companies in the banking sector. In 1977, John established Chartsearch plc as a publisher of newsletters and books. Chartsearch plc was floated on the Unlisted Securities Market in 1987 and acquired by means of a reverse takeover by Burford plc, which was admitted to the Official List in 1989. In 1991, John established Carnell plc as a publisher of mainly health related titles. Carnell plc was admitted to the Unlisted Securities Market in 1994 and was subsequently acquired in 1996 by means of a reverse takeover by Columbus Press, which itself was taken over by Highbury House plc in 2000. John continued to manage the Carnell subsidiary until 2001, since which time he has been an adviser to various direct marketing publishers.

It is the intention of the Proposed Directors that following the completion of the Proposals, the Enlarged Group will appoint an executive finance director. Should this appointment not have been made within one month of Admission, a suitably qualified interim finance director will be appointed, until such permanent appointment has been made.

PROPOSED SHARE CAPITAL REDUCTION

In the Company's accounts to 31 December 2003, Shareholders funds amounted to £120,000 consisting of: £5,720,870, being the amount of the paid up nominal share capital; £933,000 in respect of the share premium account; and offset by £6,534,000 of accumulated losses. The accumulated losses of £6,534,000 are a result of the Company's investment in its former subsidiary, Poptones Limited, which was disposed of in July 2003 for a nominal value.

Due to the accumulated trading losses of Poptones Limited, the value of the Company's paid up share capital of £5,720,870 is not representative of its available assets. Furthermore, the Company is precluded from paying dividends while it has a deficit on its profit and loss account. It is therefore proposed that a capital reduction is undertaken to cancel 99 pence of every £1 of its issued share capital and to cancel the share premium account which will be offset against the profit and loss account accordingly. Without conducting the Share Capital Reduction, it would not be possible for the Company to declare or pay a dividend until it had generated distributable reserves by making good the deficit in the profit and loss account. The effect of the reduction and cancellation will be to eliminate the deficit on the profit and loss account and create distributable profits of £29,540, subject to the protection of the interests of the Company's creditors.

Accordingly, at the EGM, resolutions will be proposed to approve the Share Capital Reduction. Approval of the resolutions will cancel 99 pence of the paid up capital on each issued ordinary share of £1 each and cancel the Company's share premium account. The resolution to approve the capital reduction and cancellation of the share premium account (Resolution 6 in the Notice) requires the approval of a majority of not less than three quarters of Shareholders who vote in person or by proxy. Voting will be on a show of hands, unless a poll is demanded, in which case those present in person or by proxy will be entitled to one vote for each Existing Ordinary Share held by them.

Provided the Proposals are duly passed, application will then be made immediately to Court to approve the Share Capital Reduction. The Court will only approve the Share Capital Reduction once satisfied that the interests of the Company's creditors are not thereby prejudiced. The Company will put into place such form of creditor protection as the Court may require. It is anticipated that the relevant Court approval will take approximately 28 days to obtain, and the Share Capital Reduction will take effect upon registration of the Court order confirming it with the Registrar of Companies, following which Admission will occur and the Acquisition will complete. Shareholders will then hold one Ordinary Share of 1 pence each in place of each Existing Ordinary Share of £1 each currently held and the Company's existing issued share capital will be reduced from £5,720,870 to £57,208.70. For the avoidance of doubt, pursuant to the approval and effect of the Share Capital Reduction, Shareholders will continue to hold the same number of Ordinary Shares as prior to the Share Capital Reduction.

If the Resolutions are not all passed by Shareholders, or the Court does not approve the Share Capital Reduction, you will continue to hold Existing Ordinary Shares of £1 each in the Company and the Acquisition will not complete.

SHARE OPTIONS

Hawthorn previously operated an unapproved share option scheme under which options were granted to certain individuals, all of which have since lapsed. However, options granted separately to a number of individuals over an aggregate of 135,812 Existing Ordinary Shares remain outstanding, further details of which are set out in paragraph 7 of Part VI of this document. Save for those options and the Altium Warrant, no further options over Existing Ordinary Shares have been granted.

Following Admission, the Proposed Directors intend to consider whether it would be appropriate to establish a share option scheme to incentivise key employees. In accordance with best corporate governance practice, shareholder approval would be sought before any options are granted.

LOCK-IN ARRANGEMENTS

The Vendors' aggregate interests in Ordinary Shares following Admission will amount to 118,196,530 Ordinary Shares, representing 95 per cent. of the enlarged issued share capital of the Company following Admission. Each of the Vendors has undertaken to Altium and the Company that they will not dispose of any interest in Ordinary Shares held on the date of Admission for a period of two years from Admission, other than with the prior approval of the Board (excluding any of the Vendors) and Altium, except in certain limited circumstances such as a takeover.

DIVIDEND POLICY

Given the historic profitable trading record of Strike Lucky, the Proposed Directors intend to commence the payment of dividends and operate a progressive dividend policy when it is commercially prudent to do so, subject to the availability of distributable reserves and the need to retain earnings for future growth. When the payment of dividends is to be introduced, the Proposed Directors plan to pay them by way of an interim dividend and a final dividend in each applicable year in the appropriate proportions of one third and two thirds respectively.

TAXATION

Information relating to UK taxation with regard to Admission is summarised in paragraph 11 of Part VI of this document.

CORPORATE GOVERNANCE

As previously adopted and implemented by the Company, the Proposed Directors intend that, so far as it is practicable and, to the extent appropriate having regard to the size of the Enlarged Group, the Company will comply with the Combined Code published by the Committee on Corporate Governance chaired by Sir Ronald Hampel and which is appended to the Listing Rules of the UKLA (the "Combined Code"). The Enlarged Group will also adhere to the AIM Model Code (which forms part of the AIM Rules) for directors' dealings as applicable to companies whose shares are traded on AIM and the Proposed Directors will also require its directors and senior employees to comply with the AIM Model Code.

The Company previously established audit and remuneration committees. These committees currently comprise Michael Edelson, Julian Richer and Michael Blackburn. Following completion of the Proposals and the resignation of the current non-executive directors, these committees will initially consist of the only non-executive director, John Gommers. The role and composition of these committees will be kept under review.

The role of the remuneration committee is to review the performance of the executive directors of the Company and to set the scale and structure of their remuneration, including bonus arrangements. The remuneration committee will also administer performance targets for the Company's share option scheme if and when adopted and recommend the allocation of share options to directors, senior management and other employees. In exercising this role, the terms of reference of the remuneration committee require compliance with the Combined Code.

The audit committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported on. It receives and reviews reports from management and the

Company's auditors relating to annual and interim accounts and the internal control systems in use throughout the Company.

THE CITY CODE ON TAKEOVERS AND MERGERS

The terms of the Proposals give rise to certain considerations under the City Code. The City Code is issued and administered by the Takeover Panel and applies to all takeover and merger transactions, however effected, where the offeree company is a public company, whether quoted or unquoted, incorporated and resident in the UK, the Channel Islands or the Isle of Man. As Hawthorn is a listed public company incorporated and resident in the UK, Shareholders are entitled to the protections afforded by the City Code.

The City Code and Takeover Panel operate principally to ensure fair and equal treatment of shareholders in relation to takeovers. The City Code also provides an orderly framework within which takeovers are conducted. The City Code does not have, and does not seek to have, the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the UK should conduct themselves in matters relating to takeovers (and analogous situations) in accordance with best business standards and thus according to the City Code.

Under Rule 9 of the City Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

A concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by them of shares in a company, to obtain or consolidate control of that company. Control means a single holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

The Vendors are deemed to be acting in concert for the purposes of the City Code. On completion of the Acquisition, the Vendors will between them own 118,196,530 shares, representing 95.0 per cent. of the Company's enlarged issued voting share capital. A table showing the respective individual holdings of Vendors on completion of the Acquisition on the basis set out above, is set out in paragraph 5.26 of Part VI.

The Takeover Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Acquisition, subject to the approval of independent shareholders. Accordingly, such approval is being sought by resolution at the EGM, and will be taken on a poll.

Following completion of the Acquisition, the Vendors will between them hold more than 50 per cent. of the Company's voting share capital and (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate shareholding without incurring any further obligations under Rule 9 to make a general offer. Further details concerning the Vendors and their respective interests in the Company are set out in paragraph 5 of Part VI.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

EXTRAORDINARY GENERAL MEETING

An EGM of the Company has been convened for 11 a.m. on 25 August 2004. At the meeting the resolutions proposed (which are all inter-conditional) will be as follows:

- (a) to approve the Acquisition for the purposes of Rule 13 of the AIM Rules;
- (b) to obtain a waiver of the obligation to make a general offer for the purposes of Rule 9 of the City Code;
- (c) to grant the relevant authorities to issue and allot Ordinary Shares and to disapply statutory pre-emption rights;

- (d) to grant the relevant authority to permit the Company to purchase its own shares;
- (e) to approve the Share Capital Reduction and to increase the authorised share capital of the Company; and
- (f) to change the name of the Company to DM plc.

The Company has received irrevocable undertakings from all the Directors who hold Existing Ordinary Shares and Alan John McGee to vote in favour of all the Resolutions at the EGM, in respect of their beneficial holdings of 3,019,051 Existing Ordinary Shares, representing approximately 52.77 per cent. of the Company's current issued share capital.

ADMISSION AND DEALING ARRANGEMENTS

Application will be made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM.

Application will be made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to CREST on Admission. CREST is a voluntary system and the holders of Ordinary Shares who wish to receive and retain certificates will be able to do so. The Company's articles of association permit the Company to issue shares in uncertificated form.

It is expected that trading in the New Ordinary Shares will commence on or around 23 September 2004. However, this is subject to the timetable fixed by the Court to approve the Share Capital Reduction. Copies of this document will be available to the public free of charge from Altium Capital Limited, 30 St James's Square, London SW1Y 4AL for a period of not less than one month from the date of Admission.

ACTION TO BE TAKEN

A Form of Proxy is incorporated into this document on page 59 for use by Shareholders at the EGM. You are requested to complete this form in accordance with the instructions printed on it as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 11 a.m. on 23 August 2004, being 48 hours from the time appointed for holding the EGM. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

RECOMMENDATION

The Directors, who have been so advised by Altium, consider that the terms of the Acquisition and the waiver of Rule 9 of the City Code are in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors, Altium has taken into account the Directors' commercial assessment. Accordingly, your Directors unanimously recommend you to vote in favour of the Proposals, as they have irrevocably undertaken to do in respect of their own beneficial holdings of 806,890 Ordinary Shares, representing approximately 14.10 per cent. of the Company's issued share capital.

Yours sincerely,

Michael Blackburn
Chairman

PART II

RISK FACTORS

In addition to the other relevant information set out in this document, your Board and the Proposed Directors believe the following specific risk factors should be carefully considered when evaluating the Proposals:

AIM

Investment is speculative and investment in shares on AIM carries a higher risk than investment in shares listed on the Official List of the London Stock Exchange. AIM shares may also have limited liquidity.

THE COMPANY'S OBJECTIVES MAY NOT BE FULFILLED

The value of an investment in the Company is dependent upon the Enlarged Group achieving continued success and growth. There can be no guarantee that the Enlarged Group will achieve the level of success that the Board and Proposed Directors expect.

CUSTOMER ACCEPTANCE

Whilst certain of Strike Lucky's prize games have been in use for a number of years, there can be no guarantee that consumers will continue to be attracted by the range or quality of prizes available through the various formats of Strike Lucky.

COMPETITION

There can be no guarantee that competitors will not emerge who might bring superior products or services to market or have the funds available to be able to offer similar products or services at a lower price.

DEPENDENCE ON THIRD PARTIES FOR SERVICE PROVISION

Should Strike Lucky's existing premium rate telephone line provider be unable to or not be willing to provide its services to the Enlarged Group, the Enlarged Group could suffer a loss of profitability and reduced cash flow until an alternative provider is sourced. Strike Lucky is and will continue to be dependent upon third party providers of telecommunications services. The interruption of such services could materially affect the performance of the Enlarged Group.

REGULATORY ENVIRONMENT

Strike Lucky operates in a highly regulated environment. Compliance with the applicable regulatory regime is crucial. Regulations change from time to time and Strike Lucky may need to adapt its offering to meet new regulatory requirements. It is not possible for the Proposed Directors to either forecast changes in the regulatory regime or the impact any such change or changes may have on Strike Lucky's business. Such potential changes are a significant risk for Strike Lucky and there can be no guarantee that under a changed regulatory regime the business can continue to operate in its current market.

INTELLECTUAL PROPERTY

Third parties may attempt to independently recreate or otherwise develop and use the Enlarged Group's intellectual property. Strike Lucky relies on copyright, trade secret and trade mark laws, as well as confidentiality.

In the event that a third party challenges the Enlarged Group with respect to intellectual property rights, the Enlarged Group might be forced, in order to continue offering its products, to obtain or seek a licence to use third party rights. There is no guarantee that such licences will be available or granted on commercially acceptable terms. This could have a materially adverse impact on the Enlarged Group's financial position.

ATTRACTION AND RETENTION OF KEY EMPLOYEES

The Enlarged Group's success will depend on its current and future executive management team. The loss of the services of Adrian Williams could have a materially adverse effect upon the Enlarged Group's business.

REQUIREMENT FOR FURTHER FUNDS

The existing resources of the Company may not be sufficient for the future working capital requirements of the Enlarged Group or allow the Enlarged Group to exploit new opportunities. It may therefore be necessary for the Company to raise further funds in the future, which may be by way of issue of further Ordinary Shares on a non pre-emptive basis.

FUTURE ACQUISITIONS

The Proposed Directors may consider acquiring synergistic businesses. However, the ability of the Proposed Directors to make appropriate acquisitions is dependent upon suitable opportunities becoming available. Investors should note that upon identification of a suitable acquisition, the consideration payable may be satisfied by the issue of a substantial number of the Company's shares, irrespective of the then prevailing market price. Whilst it is the Company's intention to utilise Ordinary Shares to satisfy all or part of any consideration payable for acquisitions, vendors may not be prepared to accept shares traded on AIM. It may therefore be necessary for the Company to raise funds in the future, which may be by way of issue of further Ordinary Shares on a non pre-emptive basis.

INTERNAL SYSTEMS AND CONTROLS

The Company does not currently have all the internal systems and controls which investors would expect from a larger, more established business. The Proposed Directors intend to take steps to ensure that systems and controls (appropriate for a group of the size and nature of the Enlarged Group) are adopted and reviewed regularly.

CONFLICTS OF INTEREST

Investors should note that the Proposed Non-Executive Director will not be in any way limited (other than by his normal duties as company director) by way of his involvement with the Company, from acting in the management or conduct of the affairs of any other company. If any conflicts of interest are identified they will be declared and dealt with appropriately by the Company.

ECONOMIC, POLITICAL, JUDICIAL, ADMINISTRATIVE, TAXATION OR OTHER REGULATORY MATTERS

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

MARKET INFORMATION

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. Potential investors should be aware that the value of the shares can rise and fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

PART III

ACCOUNTANTS' REPORT ON HAWTHORN HOLDINGS PLC

The Directors
Hawthorn Holdings plc
Third Floor
345 Stockport Road
Manchester
M13 0LF



Horwath Clark Whitehill LLP
Arkwright House
Parsonage Gardens
Manchester M3 2HP

and

The Directors
Altium Capital Limited
5 Ralli Courts
West Riverside
Manchester
M3 5FT

29 July 2004

Dear Sirs

HAWTHORN HOLDINGS PLC – THE “COMPANY”

We report on the financial information set out in paragraphs 2 to 6 which has been prepared for inclusion in the Circular of the Company to be issued on 29 July 2004 (the “Circular”) relating to the acquisition of the entire issued share capital of Strike Lucky Games Limited by Hawthorn Holdings plc and the re-admission of the Company’s shares to trading on AIM.

1. INTRODUCTION

The Company was incorporated in England and Wales on 20 June 2000 under the name Poptones Group plc with company number 04020844. On incorporation, the Company had an authorised share capital of £5,050,000 and had issued 2 ordinary shares of 1p each at par value.

On 17 July 2000, the Company increased its authorised share capital to £7,550,000 made up of 750,000,000 ordinary shares of 1p each and £50,000 redeemable preference shares of £1 each.

On 17 July 2000, the Company issued 462,162,080 ordinary shares of 1p each at par in consideration for the acquisition of the entire issued share capital of Poptones Limited. In addition, the Company also acquired the one issued share of Poptones Investors Limited and subscribed for a further 99 ordinary shares of £1 each at par.

On 8 August 2000, the Company issued 109,925,000 ordinary shares of 1p each at 2p per share to coincide with its admission to AIM.

On 15 November 2002, the shareholders approved the consolidation of the Company’s 750,000,000 ordinary shares of 1p each and the consolidation of the Company’s 572,087,082 issued ordinary shares of 1p each into 5,720,870 ordinary shares of £1 each.

On 8 July 2003, the Company disposed of its subsidiary company, Poptones Limited and changed its name to Hawthorn Holdings plc.

In the period since 6 July 2000, the subsidiary company, Poptones Investors Limited, has remained dormant.

Basis of Preparation of Financial Information

The financial information set out in paragraphs 2 to 6 is based upon the audited financial statements of the Company for the period from its incorporation on 20 June 2000 to 30 June 2001, the two years ending 30 June 2003 and the non-statutory financial statements prepared by the directors of the Company for the purpose of the Circular for the period from 1 July 2003 to 31 December 2003. No adjustments were considered necessary. The financial information has been presented for the Company as a single entity without consolidation of subsidiary companies, as the trading subsidiaries have been disposed of.

Responsibility

The financial statements, which form the basis of the financial information in this report, are the responsibility of the directors of the Company (the “Directors”) and have been approved by them.

The financial statements of the Company for the period ended 30 June 2001 and the two years ending 30 June 2002 and 30 June 2003 have been audited by Horwath Clark Whitehill Registered Auditors and Chartered Accountants of Arkwright House, Parsonage Gardens, Manchester M3 2HP. Their audit reports were unqualified for all periods. Subsequent to the transfer of substantially all their business to a Limited Liability Partnership, Horwath Clark Whitehill resigned and Howarth Clark Whitehill LLP were appointed auditors to the Company.

The Directors are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the financial information set out in this report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by Horwath Clark Whitehill relating to the audit of the financial statements underlying the financial information. Our work also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, 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 Circular, a true and fair view of the state of affairs of the Company at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

Consent

We consent to the inclusion in the Circular of this report and accept responsibility for the report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of Hawthorn are set out below:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Investments

Fixed asset investments are stated at cost except where, in the opinion of the Directors, there has been a permanent impairment to the value of an investment, in which case an appropriate adjustment is made.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising on translation are taken to the profit and loss account.

3. PROFIT AND LOSS ACCOUNTS

		<i>Period from</i>		<i>Year ending</i>		<i>Period from</i>
		<i>20 June 2000</i>	<i>to</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>1 July to</i>
	<i>Note</i>	<i>30 June 2001</i>	<i>30 June 2002</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>31 December</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2003</i>
						<i>(unaudited)</i>
						<i>£'000</i>
Administrative expenses		(114)	(122)	(159)	(159)	(24)
Impairment of investments		(4,630)	—	—	—	—
Loans provided for		(1,245)	—	(317)	(317)	—
Operating loss	6.1	(5,989)	(122)	(476)	(476)	(24)
Interest receivable and similar income		51	11	13	13	2
Loss on ordinary activities before and after taxation		(5,938)	(111)	(463)	(463)	(22)
Retained loss for the period	6.7	(5,938)	(111)	(463)	(463)	(22)

All activities are continuing. The profit and loss account contains all recognised gains and losses arising in the period.

4. BALANCE SHEETS

		<i>30 June 2001</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>31 December</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2003</i>
					<i>(unaudited)</i>
					<i>£'000</i>
Fixed assets					
Investments	6.3	—	—	—	—
Current assets					
Debtors	6.4	7	11	8	8
Cash at bank		726	609	201	140
		733	620	209	148
Creditors: amounts falling due within one year	6.5	(17)	(15)	(67)	(28)
Net current assets		716	605	142	120
Net assets		716	605	142	120
Capital and reserves					
Called up share capital	6.6	5,721	5,721	5,721	5,721
Share premium account	6.8	933	933	933	933
Profit and loss account	6.8	(5,938)	(6,049)	(6,512)	(6,534)
Shareholders' funds	6.7	716	605	142	120

5. CASHFLOW STATEMENTS

		<i>Period from 20 June 2000 to 30 June 2001 £'000</i>	<i>Year ending 30 June 2002 £'000</i>	<i>Year ending 30 June 2003 £'000</i>	<i>Period from 1 July to 31 December 2003 (unaudited) £'000</i>
	<i>Note</i>				
Cash outflow from operating activities	6.9	(104)	(128)	(421)	(63)
Returns on investments and servicing of finance					
Interest received		51	11	13	2
Capital expenditure and financial investment					
Acquisition of unlisted investment		(9)	—	—	—
Acquisitions and disposals					
Loan to subsidiary		(1,245)	—	—	—
Cash outflow before financing		(1,307)	(117)	(408)	(61)
Financing					
Issue of Ordinary Shares		2,199	—	—	—
Share issue expenses		(166)	—	—	—
Increase/(decrease) in cash in period		<u>726</u>	<u>(117)</u>	<u>(408)</u>	<u>(61)</u>

6. NOTES TO THE FINANCIAL INFORMATION

6.1 Operating loss

		<i>Period from 20 June 2000 to 30 June 2001 £'000</i>	<i>Year ending 30 June 2002 £'000</i>	<i>Year ending 30 June 2003 £'000</i>	<i>Period from 1 July to 31 December 2003 (unaudited) £'000</i>
Operating loss is stated after charging:					
Auditors' remuneration					
– audit services		5	9	10	—
– non-audit		5	2	4	—
		<u>5</u>	<u>11</u>	<u>14</u>	<u>—</u>

6.2 Staff costs (including directors)

		<i>Period from 20 June 2000 to 30 June 2001 Number</i>	<i>Year ending 30 June 2002 Number</i>	<i>Year ending 30 June 2003 Number</i>	<i>Period from 1 July to 31 December 2003 (unaudited) Number</i>
The average number of employees during the period was made up as follows:					
Directors		4	4	5	4
		<u>4</u>	<u>4</u>	<u>5</u>	<u>4</u>

	<i>Period from 20 June 2000 to 30 June 2001 £'000</i>	<i>Year ending 30 June 2002 £'000</i>	<i>30 June 2003 £'000</i>	<i>Period from 1 July to 31 December 2003 (unaudited) £'000</i>
Directors' emoluments				
Total emoluments of all directors were as follows:				
Aggregate emoluments	19	12	34	Nil

Directors fees are paid to The Blackburn Partnership in respect of the services of J M Blackburn, Consilium Partners Limited in respect of the services of I Aspinall and London & City Credit Corporation Limited in respect of the services of J M Edelson. Those businesses are responsible for all relevant taxes and national insurance in respect of directors fees paid to them.

6.3 Investments

	<i>Shares in Subsidiary Undertakings £'000</i>	<i>Loans to Subsidiary Undertakings £'000</i>	<i>Unlisted Investments £'000</i>	<i>Total £'000</i>
Cost				
At 1 July 2000	—	—	—	—
Additions	4,621	1,245	9	5,875
At 30 June 2001, 2002 and 2003	4,621	1,245	9	5,875
Disposal in period	(4,621)	(1,245)	(9)	(5,875)
At 31 December 2003	—	—	—	—
Impairment provision				
At 1 July 2000	—	—	—	—
Provision for period	(4,621)	(1,245)	(9)	(5,875)
At 30 June 2001, 2002 and 2003	(4,621)	(1,245)	(9)	(5,875)
Eliminated on disposal	4,621	1,245	9	5,875
At 31 December 2003	—	—	—	—
Net book value				
At 30 June 2001, 2002, 2003 and 31 December 2003	—	—	—	—

On 8 July 2003, the Group disposed of its trading subsidiary Poptones Limited for a consideration of £1.

An analysis of the net assets of Poptones Limited at the date of disposal is as follows:

	<i>£'000</i>
Investments	67
Stock	18
Debtors	71
Cash at bank and in hand	5
Creditors falling due within one year	(97)
Net assets at the date of disposal	64
Provisions for loss on disposal	(64)
	—

Details of the subsidiary undertakings at 30 June 2001, 30 June 2002 and 30 June 2003 all of which were incorporated in England, are as follows:

<i>Name of Company</i>	<i>Class of share</i>	<i>Nature of business</i>	<i>Proportion of voting shares held</i>
Poptones Limited	Ordinary	Record label	100%
Poptones Music Limited*	Ordinary	Dormant	100%
Poptones Investors Limited	Ordinary	Dormant	100%
The Punk Rock Film Company Limited*	Ordinary	Dormant	90%

* held by a subsidiary undertaking

Joint Ventures

The joint venture companies listed below were formed to promote and develop music acts. Ownership and control are shared between The Telstar Music Group Limited and Poptones Limited.

<i>Name of Company</i>	<i>Country of incorporation</i>	<i>Class of share</i>	<i>Proportion of voting shares held</i>
Poptones Telstar 1 Limited	England	'A' Ordinary	50%
Poptones Telstar 2 Limited	England	'A' Ordinary	50%

6.4 Debtors

	<i>30 June 2001</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>31 December 2003 (unaudited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Prepayments and accrued income	7	11	8	8
	<u>7</u>	<u>11</u>	<u>8</u>	<u>8</u>

6.5 Creditors: amounts due within one year

	<i>30 June 2001</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>31 December 2003 (unaudited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	—	—	16	15
Accruals	17	15	51	13
	<u>17</u>	<u>15</u>	<u>67</u>	<u>28</u>

6.6 Called up share capital

	<i>30 June 2001</i>	<i>30 June 2002</i>	<i>30 June 2003</i>	<i>31 December 2003 (unaudited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Authorised:				
7,500,000 £1 Ordinary shares of £1 each	7,500	7,500	7,500	7,500
50,000 Redeemable Preference Shares of £1 each	50	50	50	50
	<u>7,550</u>	<u>7,550</u>	<u>7,550</u>	<u>7,550</u>
Allotted, issued and fully paid:				
5,720,870 Ordinary Shares of £1 each	5,721	5,721	5,721	5,721

At the Annual General Meeting held on 15 November 2002, shareholders approved the consolidation of the Company's 750,000,000 authorised ordinary shares of 1p each into 7,500,000 ordinary shares of £1 each. At the same time, shareholders approved the consolidation of the Company's 572,087,082 issued ordinary shares of 1p each into 5,720,870 ordinary shares of £1 each.

The Company has an unapproved share option scheme. Share options granted during previous financial years of over 200,230 ordinary shares to certain ex-employees, lapsed on 20 November 2002. At 30 June 2003, options had been granted to certain individuals over an aggregate of 173,312 Ordinary Shares of £1 each at an exercise price of £2 between 24 July 2003 and 23 July 2010.

At 30 June 2003, the Company had issued warrants to subscribe for up to 25,000 ordinary shares of £1 each at an exercise price of £2 up to 8 August 2005.

6.7 Reconciliation of movement in shareholders' funds

	<i>Year ending</i>		<i>Period from</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>1 July to</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>(unaudited)</i>
				<i>£'000</i>
Retained loss for the financial year	(5,938)	(111)	(463)	(22)
New shares issued (net of expenses)	6,654	—	—	—
Net addition to shareholders' funds	716	(111)	(463)	(22)
Opening shareholders' funds	—	716	605	142
Closing shareholders' funds	716	605	142	120

6.8 Reserves

	<i>Share</i>	<i>Profit &</i>
	<i>Premium</i>	<i>loss account</i>
	<i>£'000</i>	<i>£'000</i>
At 20 June 2000	—	—
Arising on share issues	1,099	—
Share issue costs	(166)	—
Loss for financial period	—	(5,938)
At 30 June 2001	933	(5,938)
Loss for financial year	—	(111)
At 30 June 2002	933	(6,049)
Loss for the financial year	—	(463)
At 30 June 2003	933	(6,512)
Loss for financial period	—	(22)
At 31 December 2003 (unaudited)	933	(6,534)

6.9 Reconciliation of operating loss to net cash outflow from operating activities

	Year ending			Period from
	30 June	30 June	30 June	1 July to
	2001	2002	2003	31 December
	£'000	£'000	£'000	2003
				(unaudited)
				£'000
Operating loss	(5,989)	(122)	(476)	(24)
Impairment of investment	4,630	—	—	—
Provision for loan	1,245	—	—	—
(Decrease)/increase in debtors	(7)	(4)	3	—
Increase/(decrease) in creditors	17	(2)	52	(39)
Cash outflow from operating activities	<u>(104)</u>	<u>(128)</u>	<u>(421)</u>	<u>(63)</u>

6.10 Analysis of changes in net funds

	1 July 2000	Cash flow	30 June	Cash flow	30 June
	£'000	£'000	2001	£'000	2002
			£'000		£'000
Cash at bank	—	726	726	(117)	609
Net Funds	<u>—</u>	<u>726</u>	<u>726</u>	<u>(117)</u>	<u>609</u>

	1 July 2002	Cash flow	30 June	Cash flow	31 December
	£'000	£'000	2003	£'000	2003
			£'000	£'000	(unaudited)
					£'000
Cash at bank	609	(408)	201	(61)	140
Net Funds	<u>609</u>	<u>(408)</u>	<u>201</u>	<u>(61)</u>	<u>140</u>

6.11 Related party transactions

2001

During the period loans made to Poptones Limited, the trading subsidiary of the Company together with accrued interest, were repaid to the following related parties:

Related Party	Relationship	Loan Amount	Interest Paid
		£	£
A J McGee	Director	200,000	5,990
The Richer Partnership Ltd.	A company in which J Richer is a director	296,000	8,731
J M Edelson	Director	16,000	472
Oxygen Investors Ltd.	A company in which J M Edelson was a director	56,000	1,652

A proportion of the interest charge shown above was incurred in the period prior to the Company's acquisition of Poptones Limited.

Poptones Limited operated from offices in London which were owned by A J McGee who was a director. During the period ended 30 June 2001 no rent was charged to Poptones Limited.

2002

During the year the Company's trading subsidiary Poptones Limited entered into transactions in the ordinary course of business with its joint ventures. Poptones Limited recharged costs amounting to £29,000 to Poptones Telstar 1 Limited and £16,000 to Poptones Telstar 2 Limited. Both of these amounts were outstanding at the balance sheet date. The Company had a 50 per cent. interest in each of its joint ventures via Poptones Limited.

Poptones Limited operated from offices in London owned by A J McGee, who was a director, until 31 March 2002. During the period to 31 March 2002 no rent was charged to Poptones Limited by A J McGee.

2003

During the year, Poptones Limited entered into transactions in the ordinary course of business with its joint ventures in which it has a 50 per cent. interest. Poptones Limited recharged costs amounting to £5,000 (2002 – £29,000) to Poptones Telstar 1 Limited and was charged £8,000 (2002 – £nil) by that company. The amount owed to Poptones Limited by Poptones Telstar 1 Limited at the year end amounted to £26,000 (2002 – £29,000).

During the year, Poptones Limited also recharged costs amounting to £1,000 (2002 – £16,000) to Poptones Telstar 2 Limited. The amount owed to Poptones Limited by Poptones Telstar 2 Limited at the year end amounted to £17,000 (2002 – £16,000).

On 8 July 2003 the Company's shareholders approved the disposal of the Company's trading subsidiary Poptones Limited, together with its joint venture companies Poptones Telstar 1 Limited and Poptones Telstar 2 Limited, and its dormant subsidiaries Poptones Music Limited and The Punk Rock Film Company Limited. All of these companies were disposed of to A J McGee who, as part of the proposed disposal, resigned from the Board on the same day.

Yours faithfully

Horwath Clark Whitehill LLP

PART IV

ACCOUNTANTS' REPORT ON STRIKE LUCKY GAMES LIMITED

The Directors
Hawthorn Holdings plc
Third Floor
345 Stockport Road
Manchester
M13 0LF



Horwath Clark Whitehill LLP
Arkwright House
Parsonage Gardens
Manchester M3 2HP

and

The Directors
Altium Capital Limited
5 Ralli Courts
West Riverside
Manchester
M3 5FT

29 July 2004

Dear Sirs

STRIKE LUCKY GAMES LIMITED – “SLG”

We report on the financial information set out in paragraphs 2 to 6 below which has been prepared for inclusion in the Circular of Hawthorn Holdings plc (the “Company”) to be issued on 29 July 2004 (the “Circular”) relating to the acquisition of the entire issued share capital of SLG by Hawthorn Holdings plc and the re-admission of the Company’s shares to trading on AIM.

1. INTRODUCTION

SLG was incorporated on 22 September 1993 with company number 02855730.

On incorporation SLG had authorised share capital of £1,000 comprising 1,000 ordinary shares of £1 each. On incorporation 2 ordinary shares were issued at par, fully paid.

On 7 December 1993 a further 98 shares were issued at par, fully paid.

Basis of Preparation

The financial information set out in paragraphs 2 to 6 below is based upon the audited financial statements of SLG for the three years ended 31 December 2003, to which no adjustments are considered necessary.

The financial information has been prepared on the basis of the accounting policies set out in paragraph 2.

Responsibility

The financial statements, which form the basis of the financial information in this report, are the responsibility of the director of SLG who approved their issue.

The financial statements for the three years ended 31 December 2003 (the “Review Period”) have been audited by Wildin & Co, Chartered Accountants and Registered Auditors of Kings Buildings, Lydney, Gloucestershire, GL15 5HE and their audit reports were unqualified.

The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the financial information set out in this report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of the 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 circumstances of SLG, 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 Circular, a true and fair view of the state of affairs of SLG at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

Consent

We consent to the inclusion in the Circular of this report and accept responsibility for the report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of SLG, which have been consistently applied during the period covered by this report, are set out below:

(a) *Accounting convention*

The financial statements have been prepared under the historical cost convention.

(b) *Turnover*

Turnover represents net invoiced sales of goods, excluding value added tax.

(c) *Goodwill*

Goodwill, being the amount paid in connection with the acquisition of a business in 2002, is being written off evenly over its estimated useful life of two years.

(d) *Tangible fixed assets*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- Motor vehicles — 25% on a reducing balance basis.
- Fixtures and fittings, tools and equipment — Computer equipment is depreciated at 25 per cent. per annum on a reducing balance basis whilst other fixtures and fittings are depreciated at 15 per cent. per annum on a reducing balance basis.

(e) *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

3. PROFIT AND LOSS ACCOUNTS

	Note	Year ended 31 December		
		2001 £'000	2002 £'000	2003 £'000
Turnover		8,106	5,863	5,470
Cost of sales		(4,987)	(4,956)	(4,077)
Gross profit		3,119	907	1,393
Administrative expenses		(2,067)	(703)	(251)
Operating profit		1,052	204	1,142
Interest receivable and similar income	6.3	118	81	67
Profit on ordinary activities before taxation		1,170	285	1,209
Tax on profit on ordinary activities	6.4	(361)	(89)	(365)
Profit for the financial year		809	196	844
Retained profit brought forward	6.10	1,455	2,264	2,460
Retained profit carried forward		2,264	2,460	3,304

4. BALANCE SHEETS

	Note	31 December		
		2001 £'000	2002 £'000	2003 £'000
Fixed assets				
Intangible assets	6.5	—	5	—
Tangible assets	6.6	47	40	34
		47	45	34
Current assets				
Debtors	6.7	1,586	1,347	1,683
Cash at bank and in hand		2,483	2,036	2,288
		4,069	3,383	3,971
Creditors: amounts falling due within one year	6.8	(1,852)	(968)	(701)
Net current assets		2,217	2,415	3,270
Total assets less current liabilities		2,264	2,460	3,304
Net assets		2,264	2,460	3,304
Capital and reserves				
Called up share capital*	6.9	—	—	—
Profit and loss account	6.10	2,264	2,460	3,304
Shareholders' funds	6.10	2,264	2,460	3,304

*Called up share capital consisted of 100 £1 ordinary shares.

5. CASHFLOW STATEMENTS

	Notes	Year ended 31 December		
		2001 £'000	2002 £'000	2003 £'000
Cash inflow/(outflow) from operating activities	6.12	1,561	(515)	424
Returns on investments and servicing of finance				
Interest received		117	82	67
Taxation				
Corporation tax paid		(821)	(2)	(238)
Capital expenditure				
Purchase of tangible fixed assets		(39)	(2)	(1)
Acquisition				
Purchase of business		—	(10)	—
Increase/(decrease) in cash		<u>818</u>	<u>(447)</u>	<u>252</u>

6. NOTES TO THE FINANCIAL INFORMATION

6.1 Staff Costs (including directors)

	Year ended 31 December		
	2001 £'000	2002 £'000	2003 £'000
Wages and salaries	1,723	518	119
Social security costs	183	52	6
	<u>1,906</u>	<u>570</u>	<u>125</u>
The weekly average number of staff during the year was:	Number	Number	Number
Administrative Staff	<u>9</u>	<u>9</u>	<u>9</u>

6.2 Director's emoluments

	Year ended 31 December		
	2001 £'000	2002 £'000	2003 £'000
Emoluments for management services	1,540	400	—
Benefits	1	1	1
	<u>1,541</u>	<u>401</u>	<u>1</u>

6.3 Interest

	Year ended 31 December		
	2001 £'000	2002 £'000	2003 £'000
Interest receivable on bank deposits	<u>118</u>	<u>81</u>	<u>67</u>

6.4 Taxation

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK Corporation tax at 30% (2002 – 29.91%, 2001 – 30%)	343	87	364
Prior Year Adjustment	—	1	1
Interest on Taxation	18	1	—
	<u>361</u>	<u>89</u>	<u>365</u>

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities before tax	<u>1,169</u>	<u>285</u>	<u>1,209</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 – 29.91%, 2001 – 30%)	351	84	362
Effects of:			
Capital Allowances	(8)	2	2
Prior Year Adjustment	—	1	1
Interest on Taxation	18	2	—
	<u>361</u>	<u>89</u>	<u>365</u>

6.5 Intangible assets

	<i>£'000</i>
Goodwill on acquisitions at cost	
At 31 December 2001	—
Additions in year	10
	<u>10</u>
At 31 December 2002 and 31 December 2003	10
Amortisation	
31 December 2001	—
Provision for the year	(5)
	<u>(5)</u>
31 December 2002	(5)
Provision for the year	(5)
	<u>(10)</u>
31 December 2003	(10)
Net Book Value	
31 December 2001	—
	<u>—</u>
31 December 2002	5
	<u>5</u>
31 December 2003	—
	<u>—</u>

6.6 Tangible fixed assets

	<i>Fixtures, fittings tools and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost:			
1 January 2001	20	—	20
Additions	32	7	39
	<hr/>	<hr/>	<hr/>
31 December 2001	52	7	59
Additions	1	—	1
	<hr/>	<hr/>	<hr/>
31 December 2002	53	7	60
Additions	1	—	1
	<hr/>	<hr/>	<hr/>
31 December 2003	54	7	61
	<hr/>	<hr/>	<hr/>
Depreciation:			
1 January 2001	(8)	—	(8)
Provision for the year	(3)	(1)	(4)
	<hr/>	<hr/>	<hr/>
31 December 2001	(11)	(1)	(12)
Provision for the period	(6)	(2)	(8)
	<hr/>	<hr/>	<hr/>
31 December 2002	(17)	(3)	(20)
Provision for the year	(6)	(1)	(7)
	<hr/>	<hr/>	<hr/>
31 December 2003	(23)	(4)	(27)
	<hr/>	<hr/>	<hr/>
Net book value:			
31 December 2001	41	6	47
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2002	36	4	40
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2003	31	3	34
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6.7 Debtors

	<i>31 December</i>		
	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2003 £'000</i>
Amounts falling due within one year:			
Trade debtors	902	374	471
Prepayments	143	72	55
	<hr/>	<hr/>	<hr/>
	1,045	446	526
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amounts falling due after more than one year:			
Associated Company Loans/Investments	541	901	1,157
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Aggregate Amounts	1,586	1,347	1,683
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in the associated company loans and investments at 31 December 2003 is £235,000 representing redeemable preference shares of £1 each in NM Services Limited. This investment is due to be sold at book value prior to completion of the proposed transaction.

6.8 Creditors: amounts falling due within one year

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Trade Creditors	20	303	356
Directors current accounts	—	1	1
Other taxation and Social Security	104	54	91
Corporation Tax	—	87	214
Accruals	1,728	523	39
	<u>1,852</u>	<u>968</u>	<u>701</u>

6.9 Share capital

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Authorised:			
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>
	£	£	£
Allotted, called up and fully paid:			
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>	<u>100</u>

6.10 Reconciliation of movements in shareholders' funds

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Retained profit for the financial year	<u>809</u>	<u>196</u>	<u>844</u>
Net addition to shareholders' funds	809	196	844
Opening shareholders' funds	<u>1,455</u>	<u>2,264</u>	<u>2,460</u>
Closing shareholders' funds	<u>2,264</u>	<u>2,460</u>	<u>3,304</u>

6.11 Financial commitments

The group has annual financial commitments in respect of operating leases for land and buildings as follows:

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Operating leases which expire:			
Between two and five years	—	20	20
In over five years	<u>20</u>	<u>—</u>	<u>—</u>
	<u>20</u>	<u>20</u>	<u>20</u>

There are no significant capital commitments.

6.12 Notes to the cash flow statement

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	1,052	204	1,142
Depreciation	4	8	7
Amortisation of goodwill	—	5	5
(Increase)/decrease in debtors	(884)	239	(336)
Increase/(decrease) in creditors	1,389	(971)	(394)
	<u>1,561</u>	<u>(515)</u>	<u>424</u>

6.13 Related party transactions

Throughout the Review Period SLG was controlled by Mr Adrian Williams.

SLG has made to loans to seven companies controlled by Mr Adrian Williams, details of these loans are set out in the table below:-

	31 December		
	2001 £'000	2002 £'000	2003 £'000
Eiger Properties Limited	269	269	269
Specialist Telecom Services Limited	2	2	2
Scenic Maps Limited	200	200	200
McIntyre & Dodd Marketing Limited	50	50	50
Dodd Marketing Limited	20	380	380
Activ8 Limited	—	—	21
NM Services Limited	—	—	235
	<u>541</u>	<u>901</u>	<u>1,157</u>

Dodd Marketing Limited and its 100 per cent. subsidiary McIntyre & Dodd Marketing Limited (“McIntyre & Dodd”) are direct marketing companies with which SLG trades on an arm’s length basis.

During 2001 SLG made purchases from Dodd Marketing on an arm’s length basis of £3,000.

During the Review Period SLG made sales to McIntyre & Dodd of £100,000 (2002: £4,000; 2001: nil).

In addition to the sale of data lists SLG provided a payroll, management accounting and invoicing services which were recharged on the basis of apportionment of the time spent. SLG also provides office accommodation for McIntyre & Dodd and these costs were recharged on an apportionment of usage. The recharged made to McIntyre & Dodd across the Review Period for these services was £47,000 (2002: £14,000; 2001: £11,000).

During the Review Period SLG and was recharged for expenses incurred by McIntyre & Dodd on behalf of SLG £74,500 (2002: £3,000; 2001: nil).

In addition to the loan balance detailed above SLG as at 31 December 2003 SLG was owed £29,000 (2002: nil; 2001: nil) by McIntyre & Dodd and owed to McIntyre & Dodd Limited £26,000 (2002: £1,000; 2001: nil).

SLG leasehold premises are held under a short term tenancy agreement with Eiger Properties Limited. Throughout the Review Period SLG has paid rentals of £20,000 per annum to Eiger Properties Limited on an arm’s length basis.

During the Review Period SLG recharged Scenic Maps Limited salary costs of £13,000 (2002: £12,000; 2001: £16,000) based upon an apportionment of staff time.

Yours faithfully

Horwath Clark Whitehill LLP

PART V

ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS

Set out below is an unaudited *pro forma* statement of the net assets of the Enlarged Group following the acquisition by Hawthorn Holdings plc of the whole of the issued share capital of Strike Lucky Games Limited (“Strike Lucky”). The *pro forma* statement of combined net assets has been prepared on the basis of the notes set out below.

This *pro forma* statement is provided for illustrative purposes and because of its nature cannot give a complete picture of the final position of the Enlarged Group.

	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
	<i>Hawthorn</i>	<i>Strike Lucky</i>	<i>Strike Lucky</i>	<i>Group</i>
	<i>31 December</i>	<i>31 December</i>	<i>Acquisition</i>	<i>adjusted</i>
	<i>2003</i>	<i>2003</i>	<i>Pro forma</i>	<i>pro forma</i>
	<i>£'000</i>	<i>£'000</i>	<i>adjustments</i>	<i>net assets</i>
			<i>£'000</i>	<i>£'000</i>
Fixed assets				
Intangible	—	—	564	564
Tangible	—	34	—	34
	<hr/>	<hr/>	<hr/>	<hr/>
	—	34	564	598
	<hr/>	<hr/>	<hr/>	<hr/>
Current assets				
Debtors	8	1,683	(1,157)	534
Cash at bank	140	2,288	(2,712)	(284)
	<hr/>	<hr/>	<hr/>	<hr/>
	148	3,971	(3,869)	250
Creditors: amounts falling due within one year	<hr/>	<hr/>	<hr/>	<hr/>
	(28)	(701)	—	(729)
	<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)	120	3,270	(3,869)	(479)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	120	3,304	(3,305)	119
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. The net assets of Hawthorn at 31 December 2003 have been extracted without material adjustment from the balance sheet as at 31 December shown in the Accountants' Report set out in Part III of this Circular.
2. The net assets of Strike Lucky at 31 December 2003 have been extracted without material adjustment from the balance sheet as at 31 December 2003 shown in the Accountants' Report set out in Part IV of this Circular.
3. Adjustments have been made as follows:
 - (i) The transaction has been accounted for as a reverse acquisition, whereby Strike Lucky is treated as the acquirer. In these circumstances intangible assets represents goodwill of £564,000 being the excess of the notional cost of Hawthorn, calculated at 12p per share, over the net assets of Hawthorn of £120,000.
 - (ii) Cash has been adjusted for the estimated cash expenses of the Proposals of £369,000.
 - (iii) Cash has been adjusted to include the payment of a dividend in the period since 31 December 2003 by Strike Lucky of £3.5 million from its distributable reserves.
 - (iv) In the period since 31 December 2003, Strike Lucky has been repaid an amount of £1,157,000 from its associated companies.
4. No adjustments have been made to reflect the trading results of Hawthorn or Strike Lucky since the date to which their respective Accountants' Reports have been made up.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors and the Proposed Directors, whose names appear in paragraph 4 below, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed 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.
- 1.2 Each member of the Concert Party accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of each member of the Concert Party (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated in Manchester under the Companies Act 1985 and registered in England and Wales on 20 June 2000 with registered number 04020844 as a public limited company under the name Poptones Group plc. The name of the Company was changed to Hawthorn Holdings plc on 8 July 2003. The liability of the members of the Company is limited.
- 2.2 The registered office of the Company is Third Floor, 345 Stockport Road, Manchester, M13 0LF.
- 2.3 The Company's principal objects and activities are to act as a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, which is one of the documents made available for inspection (see paragraph 20.10 below).
- 2.4 On 18 July 2000, the Company was issued with a certificate to commence trading under section 117 of the Act.

3. Share Capital

- 3.1 The authorised and issued share capital of the Company as at the date of this document and as it will be following Admission, incorporating the Share Capital Reduction is as follows:

	<i>As at the date of this document</i>			<i>As at Admission after the Share Capital Reduction</i>		
	<i>£</i>	<i>No. of ordinary shares of £1 each</i>	<i>No. of redeemable preference shares of £1 each</i>	<i>£</i>	<i>No. of ordinary shares of 1p each</i>	<i>No. of redeemable preference shares of £1 each</i>
Authorised share capital	7,550,000	7,500,000	50,000	2,550,000	250,000,000	50,000
Issued and fully paid share capital	5,720,870	5,720,870	Nil	1,244,174	124,417,400	Nil

- 3.2 At the date of its incorporation, the authorised share capital of the Company was £5,050,000 divided into 500,000,000 ordinary shares of 1p each and 50,000 redeemable preference shares of £1 each of which two such ordinary shares of 1p each were in issue, fully paid.
- 3.3 On 17 July 2000, the two subscriber shares were transferred to Mr J M Edelson.
- 3.4 On 17 July 2000, a written resolution was passed which increased the share capital of the Company from £5,050,000 to £7,550,000 by the creation of 250,000,000 ordinary shares of 1 pence each and provided the Directors with the relevant authorities to allot the authorised share capital as increased.
- 3.5 On 17 July 2000, the Company issued 462,162,080 fully paid up ordinary shares of 1 pence each in consideration for the acquisition of the entire issued share capital of Poptones Limited pursuant to the terms of a share exchange agreement.

- 3.6 On 8 August 2000, the Company placed 109,925,000 ordinary shares of 1 pence each, at 2 pence per share.
- 3.7 On 15 November 2002, the Company consolidated its share capital, whether issued or unissued, into ordinary shares of £1 each resulting in an authorised share capital of £7,550,000 divided into 7,500,000 ordinary shares of £1 each and 50,000 redeemable preference shares of £1 each, of which 5,720,870 ordinary shares of £1 each are in issue.
- 3.8 If the Proposals are implemented, the Share Capital Reduction will take place and the Company will issue and allot the New Ordinary Shares on Admission.
- 3.9 Save as referred to in paragraph 7 of this Part VI, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.10 Following the passing of the written resolution referred to in paragraph 3.4 of this Part VI, the directors were authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum nominal amount of the Company's authorised but unissued share capital. This authority is due to expire on 16 July 2005 (five years from the passing of the resolution) save for the allotment of relevant securities under this authority in pursuance of an agreement so to do made by the Company before the expiry of such authority.
- 3.11 The Company's shareholders have certain pre-emption rights in terms of section 89 of the Act in respect of any new equity securities (within the meaning of section 94 of the Act) proposed to be allotted wholly for cash. However, the directors are authorised under a resolution passed on 29 January 2004 to allot equity securities wholly for cash pursuant to the authority specified in paragraph 3.10 as if section 89(1) of the Act did not apply to such allotment provided that such disapplication shall only apply to allotments up to a nominal amount of the Company's authorised but unissued share capital and shall expire fifteen months following such date or, if earlier, at the next annual general meeting of the Company.
- 3.12 If the Resolutions are passed, the authorities summarised in paragraphs 3.10 and 3.11 above will be replaced so that:
- 3.12.1 the directors will be generally and unconditionally authorised to allot relevant securities (as defined by section 80 of the Act) up to an aggregate nominal amount equal to the Company's authorised but unissued share capital which will be approximately £1,305,826 after the Share Capital Reduction with such authority to expire, unless previously revoked or varied by the Company at general meeting, at the conclusion of the Company's next annual general meeting or 15 months after the passing of the resolution (if earlier); and
- 3.12.2 the directors will be empowered until the conclusion of the Company's next annual general meeting or 15 months after the passing of the resolution (if earlier) to allot the Consideration Shares, the Success Fee Shares, an aggregate nominal amount of £124,417, pursuant to option arrangements for executive directors, employees and/or consultants and an aggregate nominal amount equal to the Company's authorised but unissued share capital which will be approximately £1,305,826 after the Share Capital Reduction at the directors' discretion on a non-pre-emptive basis.

4. Directors and Proposed Directors

- 4.1 Other than a directorship of the Company, the current directorships and partnerships of the Directors and the Proposed Directors and the directorships and partnerships held by them over the previous five years are as follows:

Current Directors

<i>Name</i>	<i>Age</i>	<i>Directorships and Partnerships</i>	
		<i>Current</i>	<i>Previous</i>
J M Blackburn	62	Apollo Advisors Limited	Bidcorp plc
		Aquila Group Holdings Limited	Halifax Group plc
		DFS Furniture Company plc	Halifax plc
		Duke of Edinburgh's Award	Poptones Limited
		Freeport plc	Poptones Music Limited
		George Wimpey plc	Poptones Telstar 1 Limited
		ID Data plc	Poptones Telstar 2 Limited
		In Kind Direct	Town Centre Securities plc

Directorships and Partnerships

<i>Name</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
		Mreps Trustees (No. 126) Limited National Youth Orchestra of Great Britain (The) Poptones Investors Limited The Blackburn Partnership	
J Richer	45	Audio Innovations Limited Audio Partnership plc Ariston Audio Limited Aural Envelope Limited Big Screen Entertainment Limited Cambridge Audio Limited Canhelpnow Limited Definitely Marketing Limited Duchy Originals Limited Ever 1423 Limited Excel Tape Limited Gale Limited Gallery Court Limited Grey Frog plc Julians Limited Keep Your Pants On Limited L3 Limited League Against Cruel Sports Limited Lomo Limited Makeasite.com Limited Mordaunt-short Limited O Technologies Limited Poptones Investors Limited Rapid-Domains.com Limited Retail Recruitment Limited Richer Brands Limited Richer Conferences Limited Richer Consulting Limited Richer Jet Limited Richer Publishing Limited Richer Sounds plc Richer Sounds International Limited TDL Electronics UK Limited The Blue-Eyed Maid Inn Limited The Management and Enterprise National Training Organisation The Persula Foundation The Richer Partnership Limited X Music Limited	Easierjet Limited E Electronics (UK) Limited Just Recruitment Limited N.E. Marks Limited Nocktwice Limited Plush Bars Limited Spy UK Limited Techno Holdings Limited Techno Retail Limited The Wow Awards Limited Your Property Limited
J M Edelson	60	City Invoice Finance Limited David Conrad International Investments Limited and subsidiary Exc plc Hartford Leisure Limited London & City Credit Corporation Limited Manchester United Football Club Limited Novabank Group Ltd and subsidiaries Poptones Investors Limited Singer & Friedlander AIM3 VCT plc Oak Prospects plc	Aerobox PLC and subsidiary 105.4 Easy FM Limited Arena 105.4 Limited Bramhall Sport II plc Chelford Group II plc Chelford Group plc and subsidiaries DCI (Knutsford) plc Dunham Ventures Limited Enition plc (previously Walnut Partners plc) Felix Group plc (previously Chestnut Prospects plc) Hanover Capital Group plc and

Directorships and Partnerships

<i>Name</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
		Poplar Partners plc Solidrock Limited Willow Partners plc	subsidiaries Hartford Group PLC Host Europe PLC (previously Magic Moments Internet PLC) and subsidiary, Magic Moments Internet Asia Pacific Pty Limited (Thai Company) Hydrogen Group Limited Hydrogen Holdings Limited Hydrogen Investments Limited Magic Moments Internet Asia Pacific Pty Limited (Thai Company) Media Content PLC Mercury Recycling plc (previously Argon Group plc) Nadlan plc Nomad 105.4 FM Limited Oxygen Partners Limited North West FM Limited Poptones Limited and subsidiaries Prestbury Group PLC and subsidiaries Ronson Fur Services Limited (The SP Holdings plc and subsidiary, Mottram Partners Limited Sport4cast plc tecc-IS plc and subsidiaries WILink.com plc (formerly Knutsford Group PLC) World Sport Solutions plc (previously Mottram Holdings plc) and subsidiary WWW Group Limited WWW Holdings Limited WWW Investments Limited WWW Wilmslow Limited Zonepoint Ventures Limited
I Aspinall	40	Accelerated Learning Nursery Schools Limited Consilium Partners Limited Oxygen Ventures Limited	Aerobox ULD Limited Felix Group plc (previously Chestnut Prospects plc) Flasksafe Services Limited Helium Group Limited Helium Partners Limited Poptones Telstar 1 Limited Poptones Telstar 2 Limited WEEE Recycling Limited
<i>Proposed Directors</i>			
A J Williams	46	Activ8 Limited Alpha to Omega (UK) Limited Audio Maps Limited Bingoline Limited Compline Limited Dodd Marketing Limited Eiger Properties Limited	KFM Investors Limited Specialist Telecom Services Limited

<i>Name</i>	<i>Age</i>	<i>Directorships and Partnerships</i>	
		<i>Current</i>	<i>Previous</i>
		Lists Limited Lists R Us Limited McIntyre & Dodd Marketing Limited Name That Tune Limited NM Services Limited Prize Winners Club Limited Scenic Maps Limited Strike it Lucky Limited Strike Lucky Games Limited Strikelucky.com Limited The Pictorial Map Company Limited Unclaimed Prize Register Limited Williams Holdings Limited Zuzu Media Limited	
W E Ruck	45	Zuzu Media Limited	
J Gomme	63	Courses4business Limited Insider Reports Limited Internet-Extra Limited Keshet Eilon Foundation Money Making Opportunities Limited Shareform Limited The Britto Press Limited	Columbus Business Publishing Limited The Cotswold Company Limited

The business address of each of the Directors is Third Floor, 345 Stockport Road, Manchester, M13 0LF and for each of the Proposed Directors is Boscombe House, 20 Station Street, Ross-on-Wye, Herefordshire, HR9 7AG.

- 4.2 Michael Edelson was a director of M Edelson Limited and subsidiaries which were placed into administrative receivership in November 1988.
- 4.3 Julian Richer was a director of N. E. Marks Limited which went into members' voluntary liquidation on 25 March 2004.
- 4.4 In 1968 John Gomme helped raise capital for a new life assurance company, Capital Annuities Limited, whose board he subsequently joined as a non-executive director. Following a change introduced by the DTI in the method of valuing the assets of life assurance companies, Capital Annuities Limited no longer had sufficient assets to cover its future liabilities and was accordingly placed into compulsory liquidation in 1978, while John Gomme was still a director.
- 4.5 Save as disclosed in this document, as at the date of this document, none of the Directors or the Proposed Directors have:
 - 4.5.1 any unspent convictions in relation to indictable offences; or
 - 4.5.2 been declared bankrupt or made any individual voluntary arrangement; or
 - 4.5.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
 - 4.5.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
 - 4.5.5 had any asset or been a partner or in a partnership at the time of or within the twelve months preceding such asset being subject to a receivership; or
 - 4.5.6 been subject to any public criticism by statutory or regulatory authorities, nor been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5. Directors', Proposed Directors' and Others' Interests

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

	<i>As at the date of this document</i>		<i>As at Admission</i>	
	<i>Number of ordinary shares of £1 each</i>	<i>Percentage of issued ordinary share capital</i>	<i>Number of ordinary shares of 1p each</i>	<i>Percentage of issued ordinary share capital</i>
J M Blackburn	145,000	2.53	145,000	0.12
I Aspinall	Nil	Nil	Nil	Nil
J M Edelson	196,891	3.44	196,891	0.16
J Richer	464,999	8.13	464,999	0.37
A J Williams	Nil	Nil	117,014,565	94.05
W E Ruck	Nil	Nil	1,181,965	0.95
J Gommès	Nil	Nil	Nil	Nil

5.2 Save as disclosed above, the Directors and Proposed Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to sections 324 or 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.

5.3 The Company is not aware of any person, other than the Directors and Proposed Directors and their immediate families, who at the date of this document and immediately following Admission will be interested (within the meaning given to that expression in Part VI of the Act), directly or indirectly, in three per cent. or more of the share capital (as defined in section 198(2) of the Act) of the Company or who directly or indirectly jointly or severally exercise or could exercise control over the Company, other than those set out below:

	<i>As at the date of this document</i>		<i>As at Admission</i>	
	<i>Number of ordinary shares of £1 each</i>	<i>Percentage of issued ordinary share capital</i>	<i>Number of ordinary shares of 1p each</i>	<i>Percentage of issued ordinary share capital</i>
A J McGee	2,212,161	38.67	2,212,161	1.78
J J Foster	413,513	7.23	413,513	0.33
RHF Devereux	243,243	4.25	243,243	0.20
K L Homes	194,594	3.40	194,594	0.16

5.4 Except as disclosed in this document, none of the Directors or Proposed Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.

5.5 Except as disclosed in this document, no Director nor any Proposed Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, Hawthorn and no contract or arrangement exists in which a Director or Proposed Director is materially interested and which is significant in relation to the business of Hawthorn.

5.6 There are no outstanding loans granted by the Company to any of the Directors or Proposed Directors, nor are there any guarantees provided by the Company for their benefit.

5.7 Except as disclosed in this document, there are no agreements, arrangements or understandings existing between the Vendors or any person acting in concert with the Vendors or any of the directors, recent directors, shareholders or recent shareholders of the Company which have any connection with or dependence upon the Acquisition.

5.8 Except as disclosed in this document, the Directors and Proposed Directors have not dealt for value in the Ordinary Shares of the Company during the 12 month period to 28 July 2004, being the latest practicable date prior to the publication of this document.

5.9 Except as disclosed in this document, neither the Directors of the Company, nor any pension fund of the Company or bank, financial or other professional advisers (including stockbrokers) to the Company (other than exempt market makers) or persons controlling, controlled by or

under the same control as such banks, financial and other professional advisers controls or is interested in (beneficially or otherwise) any relevant securities in the Company, as at the date of this document.

- 5.10 Except as disclosed in this document, no Director or Proposed Director owns or controls, nor is any Director or Proposed Director or any person connected with them whose interest would require disclosure pursuant to sections 324 or 328 of the Act, interested in (directly or indirectly) any relevant securities in the Company as at the date of this document.
- 5.11 Except as disclosed in this document, neither the Company nor any person acting in concert with it, nor the Directors or Proposed Directors, nor any person connected with them whose interest would require disclosure pursuant to sections 324 or 328 of the Act owns or controls or is interested in (beneficially or otherwise) any relevant securities in the Company.
- 5.12 As at the date of this document, no Ordinary Shares are owned or controlled, directly or indirectly, or have been dealt in for value, by Strike Lucky.
- 5.13 As at the date of this document, no Ordinary Shares are owned or controlled, directly or indirectly, or have been dealt in for value by the directors of Strike Lucky or members of the Concert Party.
- 5.14 There have been no dealings for value in Ordinary Shares by the Directors or by their spouses or minor children or any persons connected with them or A J McGee within the 12 months prior to the publication of this document.
- 5.15 As at the date of this document, no shares in Strike Lucky are owned or controlled, directly or indirectly, or have been dealt in for value by the Company or the Directors.
- 5.16 Save as disclosed in this paragraph 5, none of:
- (i) Strike Lucky or the Concert Party; nor
 - (ii) any person acting in concert with Strike Lucky or the Concert Party; nor
 - (iii) any pension fund of the Company or its subsidiary nor any bank, financial or other professional advisers of the Company, Strike Lucky or the Concert Party (including stockbrokers but excluding exempt fund managers and market makers), including any person controlling, controlled by or under the same control as any such bank, stockbroker, financial or other professional adviser or any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company,
- owns, controls or is interested, directly or indirectly, in any relevant securities, nor has any such person dealt for value in Ordinary Shares during the disclosure period.
- 5.17 Save as disclosed in this document, no arrangement exists between Strike Lucky and the Company, or any person acting in concert with Strike Lucky or the Company, or any associate of Strike Lucky or the Company, or any other person, in relation to relevant securities, including, in addition to indemnity and option arrangements, any agreement or understanding, formal or informal, of whatever nature, which may be an inducement to deal or refrain from dealing in any relevant securities.
- 5.18 Save as disclosed in this document, neither the Company nor the Directors or Proposed Directors, nor any member of their immediate families or related trusts, nor any of their connected persons, is interested in, owns or controls, in any case directly or indirectly, any relevant securities nor has any such person dealt for value therein during the 12 months prior to the publication of this document.
- 5.19 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Company or any member of the Concert Party and any of Strike Lucky, the Directors, the Proposed Directors, recent directors, Shareholders or recent shareholders of the Company, having any connection with or dependence on the Proposals.
- 5.20 Save as disclosed in this document, there is no agreement, arrangement or understanding whereby the beneficial ownership of any New Ordinary Shares to be acquired by the Vendors pursuant to the Proposals will be transferred to any other person.

5.21 Reference in this Part VI to:

5.21.1 an “associate” is to:

- (a) subsidiaries and associated companies of the Company, as appropriate, and companies of which any such subsidiaries or associated companies are associated companies;
- (b) banks, financial and other professional advisers (including stock brokers) to the Concert Party and the Company as appropriate, or any company covered in (a) above, including persons controlling, controlled by or under the same control as such banks or financial or other professional advisers;
- (c) the directors of any company covered in (a) above (together in each case with any member of their immediate families or related trusts); and
- (d) the pension funds of the Company or any company covered in (a) above.

5.21.2 a “bank” does not apply to a bank whose sole relationship with the Concert Party or the Company or a company covered in 5.21.1 (a) above is the provision of normal commercial banking services;

5.21.3 ownership or control of 20 per cent or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, or shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control; and

5.21.4 “relevant securities” are to Existing Ordinary Shares, Strike Lucky Shares and securities convertible into, or exchangeable for, rights to subscribe for, derivatives referable to and options (including traded options) in respect of any of the foregoing.

5.22 For the purposes of this document, the disclosure period means the period commencing on 28 July 2003 and ending on the date of this document.

5.23 Each of the Directors who holds Ordinary Shares as at the date of this document has undertaken to vote in favour of all the Resolutions at the EGM. In addition, Alan John McGee, who was a director of the Company until 8 July 2003, has also undertaken to vote in favour of all resolutions proposed and recommended by the Board during the period from 18 October 2003 to 18 October 2004. The interests of the Directors and Alan John McGee, each of whom have given irrevocable undertakings to vote in favour of all the Resolutions at the EGM, in the Company’s issued share capital as at the date of this document are as follows:

<i>Name of person who has provided irrevocable undertaking</i>	<i>Number of Ordinary Shares held</i>	<i>Percentage of issued share capital</i>
J M Blackburn	145,000	2.53%
J M Edelson	196,891	3.44%
J Richer	464,999	8.13%
A J McGee	2,212,161	38.67%
Total	<u>3,019,051</u>	<u>52.77%</u>

5.24 As at the date of this document, the following members of the Concert Party, own or control, in either case directly or indirectly, the following shares in Strike Lucky:

	<i>Number of shares in Strike Lucky</i>	<i>Percentage of issued share capital of Strike Lucky</i>
Adrian John Williams	99	99%
Wendy Elaine Ruck	1	1%
	<u>100</u>	<u>100%</u>

5.25 The following further information is provided on the members of the Concert Party:

5.25.1 Adrian John Williams of Woodland House, Coughton, Ross-on-Wye, Herefordshire HR9 5SF is a Proposed Director. Adrian studied Economics and Marketing at university before joining a computer software company in Ross-on-Wye in 1981. He then became marketing director of a fire protection company prior to leading a management buy-in of a toys and gifts company in 1990. In 1992, Adrian founded Scenic Maps Limited which provides 3-D maps for town and city centres. Adrian founded Strike Lucky in 1993.

5.25.2 Wendy Elaine Ruck (Adrian Williams' wife) of Woodland House, Coughton, Ross-on-Wye, Herefordshire HR9 5SF is the Strike Lucky Operations Director and a Proposed Director. Wendy has enjoyed a sales career within both the public and private sectors. Furthermore, Wendy has managed recruitment and training within the UK for direct sales companies. Wendy now manages these functions for Strike Lucky, whilst also directing the prize fulfilment operations.

5.26 Following implementation of the Proposals, the members of the Concert Party will own or control, directly or indirectly, the following Ordinary Shares and their holdings will be as follows:

	<i>On Admission</i>	
	<i>Consideration</i>	<i>Percentage</i>
	<i>Shares</i>	<i>of enlarged</i>
		<i>issued share</i>
		<i>capital</i>
Adrian John Williams	117,014,565	94.05%
Wendy Elaine Ruck	1,181,965	0.95%
	<u>118,196,530</u>	<u>95.00%</u>

5.27 Other Interests of the Vendors and the interrelation of these with Strike Lucky.

5.27.1 The Vendors and in particular Adrian Williams currently have certain other business interests some of which have entered into business relations with Strike Lucky. The terms of the service agreements of each of Adrian Williams and of Wendy Ruck will permit them to be engaged in defined Permitted Interests notwithstanding their employment by the Company with effect from Admission.

5.27.2 The Permitted Interests are: property interests; interests in financial services businesses; interests in direct marketing for charities; interests in direct marketing utilising McIntyre and Dodd Marketing Limited and/or Dodd Marketing Limited and/or Evolution Direct Marketing Limited including but not limited to list broking or list managing; publishing; list exploitation; lifestyle marketing; advertising; cartography and any other interests which shall have first been offered to the Company but declined by the same and a procedure for doing so is set out in the service agreements of each of Adrian Williams and of Wendy Ruck.

5.27.3 The current interrelationships between the Vendors' Permitted Interests and Strike Lucky are as follows (for this purpose treating the interest of either of the Vendors as the interest of both of them having regard to their connection):

5.27.3.1 The Vendors are interested in 100 per cent. of the issued share capital of Eiger Properties Limited. This is a property company. Eiger Properties Limited owns the freehold of Boscombe House, 20 Station Street, Ross-on-Wye which is leased to Strike Lucky under a lease dated 1 May 1997 for a period of 10 years at a current annual rental of £20,000 subject to upwards-only annual rent review. These premises are the headquarters and operational base of Strike Lucky.

5.27.3.2 The Vendors are interested in 100 per cent. of the issued share capital of Dodd Marketing Limited which has a 100 per cent. subsidiary called McIntyre & Dodd Marketing Limited. These are direct marketing companies. In the context of their activities these companies utilise certain of the Strike Lucky databases on a non-exclusive basis and pay for the useage on third party arm's length terms.

- 5.27.3.3 The Vendors are interested in 33 per cent. of the issued share capital of Evolution Direct Marketing Limited (“EDM”). EDM is a list broker and manager. By an agreement between Strike Lucky and EDM dated 1 March 2004, EDM was appointed the exclusive list broker in respect of Strike Lucky’s Compline database for an initial period of twelve months, terminable thereafter by three months’ notice from either party. EDM pays for such useage on third party arm’s length terms.
- 5.27.3.4 The Vendors and connected persons are interested in 60 per cent. of the issued share capital of Activ8 Limited. Activ8 Limited deals in direct mailing campaigns on behalf of charities. Activ8 Limited uses certain of Strike Lucky’s databases on a non-exclusive basis and pays for such useage on third party arm’s length terms.
- 5.27.3.5 The Vendors are interested in 100 per cent. of the issued share capital of Scenic Maps Limited. This company is an advertising and cartography company. Some of Strike Lucky’s employees perform work for Scenic Maps Limited for which Strike Lucky makes a charge to Scenic Maps Limited on the basis of appropriate apportionment of costs incurred. Also, some of Scenic Maps Limited’s employees perform work for Strike Lucky for which Scenic Maps Limited makes a charge to Strike Lucky on the basis of appropriate apportionment of costs incurred.
- 5.27.3.6 Strike Lucky provides a management accounting and invoicing service for Scenic Maps Limited, Zuzu Media Limited (a company in whose share capital the Vendors are interested), Eiger Properties Limited and McIntyre and Dodd Marketing Limited. Strike Lucky charges such companies individually at cost for such service on the basis of apportionment of the time spent. Strike Lucky provides a payroll service for Scenic Maps Limited, Zuzu Media Limited, Activ8 Limited and McIntyre and Dodd Marketing Limited and Strike Lucky charges such companies individually at cost for such service on the basis of apportionment of the time spent.
- 5.27.3.7 Strike Lucky also provides office accommodation at its premises for Scenic Maps Limited and for McIntyre and Dodd Marketing Limited and Strike Lucky charges such companies individually at cost for such accommodation on the basis of the apportionment of such usage against the total cost to Strike Lucky of the whole premises.

6. Directors’ Service Contracts

- 6.1 By a consultancy agreement dated 20 July 2000, as amended, London and City Credit Corporation agreed to provide to the Company the services of John Michael Edelson as a non-executive director of the Company. London and City Credit Corporation Limited does not receive any fee in respect of such services but is entitled to be reimbursed for John Michael Edelson’s reasonable out-of-pocket expenses in relation to the services he provides to the Company. It has been agreed that the terms of the consultancy agreement will terminate on Admission.
- 6.2 By a letter of appointment dated 20 July 2000, as amended, Julian Richer was engaged as a non-executive director of the Company. He does not receive an annual director’s fee but is entitled to be reimbursed his reasonable out-of-pocket expenses in relation to the services he provides to the Company. It has been agreed that the terms of the letter of appointment will terminate on Admission.
- 6.3 By a letter of appointment dated 20 July 2000, as amended, Jeffrey Michael Blackburn was engaged as non-executive chairman of the Company. He was entitled to receive a fee of £20,000 per annum in relation to the services he provides to the Company but has waived this right with effect from 8 July 2003. It has been agreed that the terms of the letter of appointment will terminate on Admission.
- 6.4 Ian Aspinall’s services as finance director are provided by Consilium Partners Limited which was entitled to receive a fee of £35,700 per annum in relation to his services. The entitlement to fees was waived with effect from 8 July 2003. It has been agreed that the terms of the appointment (which are not formerly documented) will terminate on Admission.

- 6.5 Adrian Williams has entered into a service agreement with the company dated 26 July 2004 which is conditional upon Admission. Under the service agreement, Adrian Williams is appointed as Chairman and Chief Executive of the Enlarged Group and is responsible for developing the business of the Enlarged Group. Adrian Williams' remuneration is £150,000 per annum, to be reviewed annually on the anniversary of the service agreement. Adrian Williams is entitled to a pension contribution of 12.5 per cent. of his salary, private medical insurance and life insurance cover at four times his annual salary. The service agreement can be terminated by either party serving 12 months' written notice on the other.
- 6.6 Wendy Ruck has entered into a service agreement with the Company dated 26 July 2004 which is conditional upon Admission. Under the service agreement, Wendy Ruck is appointed as operations director of the Enlarged Group and is responsible for all recruitment, personnel matters and operations for price fulfilment for Strike Lucky. Her remuneration is £30,000 per annum to be reviewed annually on the anniversary of the service agreement. Wendy Ruck is entitled to a pension contribution of 10 per cent. of her salary, private medical insurance and life insurance cover at four times her annual salary. The service agreement can be terminated by either party serving 12 months' written notice on the other.
- 6.7 Each of the service agreements for Adrian Williams and Wendy Ruck permit them to pursue other commercial activities defined as Permitted Interests, as referred to in 5.27.2 of this Part VI.
- 6.8 The Company has entered into a letter of appointment with John Gomme under which he is to be appointed a non-executive director of the Company on Admission. The appointment is conditional on Admission and is for an initial term of twelve months and may be terminated at any time by six months' written notice by either party expiring on or after the initial term. Under the letter of appointment, John Gomme is entitled to an annual fee of £30,000 in respect of his services as a non-executive director and in respect of additional consultancy services which he is to provide to the Enlarged Group for at least 3 days a month. In addition he is entitled to reimbursement of reasonable expenses but no other remuneration.
- 6.9 The aggregate remuneration paid (and benefits in kind granted) to the Directors for the financial period ending 30 June 2004 was £nil. The aggregate remuneration payable (and benefits in kind to be granted) to the Directors and the Proposed Directors in the current financial period ending 31 December 2004 under the arrangements in force at the date of this document is estimated to be £98,000.
- 6.10 Save as disclosed above, there are no Directors' or Proposed Directors' service contracts, or contracts in the nature of services, with the Company or any company within the Enlarged Group, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice. There have been no amendments to any service contracts with the Company in the six months before the date of this document.

7. Share Options and Warrants

- 7.1 The Company has an unapproved share option scheme under which options over an aggregate of 200,230 Ordinary Shares were granted (as varied) to certain employees on 3 August 2000 which lapsed on 20 November 2002.
- 7.2 The Company also granted options to certain individuals on 24 July 2000 to subscribe (as varied) for an aggregate of 173,312 Ordinary Shares, all exercisable at £2 per share as follows:

J Kylo	28,604
J M Blackburn	37,500
M Always	28,604
A Saunders	28,604
M Freud	50,000

The options granted to J M Blackburn were waived by him on 30 December 2003. The remaining options over an aggregate of 135,812 Ordinary Shares are exercisable during the period 24 July 2003 and 23 July 2010.

- 7.3 Under an instrument created by way of deed poll on 24 July 2000, Altium were issued warrants to subscribe for 25,000 Ordinary Shares in whole or in part at £2 per share. The warrants are exercisable by Altium until 8 August 2005.

8. Subsidiaries

- 8.1 The Company has one wholly owned subsidiary, Poptones Investors Limited, which is dormant. The authorised share capital of Poptones Investors Limited is £100 divided into 100 ordinary shares of £1 each, all of which have been issued at par, fully paid, and are held by the Company.
- 8.2 Strike Lucky has four wholly owned subsidiaries, all of which are dormant, the details of which are as follows:

<i>Name of subsidiary</i>	<i>Company registration no.</i>	<i>Authorised share capital £</i>	<i>Ordinary shares of £1 each in issue</i>
Strike Lucky.com Limited	3878879	1,000	2
Name that Tune Limited	3688398	1,000	2
Bingoline Limited	3688392	1,000	2
Strike it Lucky Limited	3688221	1,000	2

9. Accounting

The Company's accounting reference date is 30 June. The Company's current accounting reference period will end on 30 June 2005. Subsequent to the completion of the Proposals, the accounting year end of the Enlarged Group will be changed to 31 December. Consequently, the Enlarged Group's current accounting reference period will end on 31 December 2004.

10. Registered office

The registered office of the Company is Third Floor, 345 Stockport Road, Manchester, M13 0LF. Subsequent to the completion of the Proposals, the registered office of the Company will become Kings Buildings, Lydney, Gloucestershire, GL15 5HE.

11. Taxation

11.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes. It is important to note that the availability of many reliefs varies depending on whether the Company qualifies as a trading company at various times.

On issue, the 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 AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

11.2 Capital Gains Tax ("CGT")

11.2.1 Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

11.2.2 Taper Relief

On 5 April 1998, taper relief was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of

relief is enhanced for those assets which qualify as “business” assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted,

Following the acquisition of trading subsidiaries, the Company will be deemed to be a holding company of a trading group and may satisfy the relevant criteria to qualify as a business asset, so that shares in the Company will be deemed to be business assets with the associated accelerated scales of taper relief applicable from that date. It will be necessary to ensure that the qualifying criteria for both the Company and the investor are met to obtain business asset taper relief for the whole period of an investor or trustees ownership. If this is not the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

11.2.3 CGT Gift Relief

If shares in an AIM company which is a trading company or the holding company of a trading group, are transferred by an individual or the trustees of a settlement, other than at arm’s length, the deemed capital gain can be “held over”, i.e. the CGT liability is postponed until a subsequent arm’s length disposal by the transferee, who effectively inherits the transferor’s base cost. The relief must be claimed jointly by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the gift is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable. Where the shares have not qualified throughout the period of ownership as business assets, then the amount of the gain that can be held over will be restricted. In addition, Clause 111 of the 2004 Finance Bill, currently before Parliament, provides for the restriction of relief for gifts to settlor interested trusts.

11.3 Inheritance Tax (“IHT”)

Shares in qualifying trading companies or holding companies of a trading group can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. To the extent that the value of a shareholding is attributable to assets owned by the company, but not used for the purpose of the company’s trade, the value qualifying for Business Property Relief will be restricted.

11.4 Income Tax

11.4.1 Taxation of Dividends

The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997 and that the Company will not elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994. The Directors have no present intention of paying any dividends which are, or may be treated as, foreign income dividends,

11.4.1.1 Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax (“ACT”) has been abolished since 6 April 1999.

11.4.1.2 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax rate (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a

taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

11.4.1.3 Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so although charities could claim a compensatory payment over a transitional period to 2003/04.

14.4.1.4 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

14.4.1.5 A UK pension fund, as defined in Section 231A Income and Corporation Taxes 1988, is restricted from claiming a repayment of the tax credit.

14.4.1.6 Shareholders not resident in the UK, are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

11.4.2 Loss Relief

If a loss arises on the disposal of shares in a trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

11.4.3 Qualifying Investment Relief

A gift to a charity of a "qualifying investment" will qualify for income tax relief under section 587B of the Income and Corporation Taxes Act 1988 ("ICTA"). Shares in an AIM company are currently treated as "qualifying investments". Therefore, if an individual disposes of shares in a company on AIM to a charity (of which an individual may be the settlor or a trustee), the gift qualifies for income tax relief. The amount of relief is calculated based on the market value of the "qualifying investment" at the date of the gift and the incidental costs of making the disposal. The gift will also be exempt from capital gains tax.

11.5 Stamp duty and stamp duty reserve tax

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the value or amount of the consideration paid (rounded up to the next multiple of £5)) and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser at a rate of 0.5 per cent. of the consideration paid) rather than stamp duty. However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

12. Articles of Association

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

12.1 *Rights attaching to the Ordinary Shares*

12.1.1 Voting

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held, every member present in person or by proxy at any general meeting shall upon a show of hands have one vote and every member present in person or by proxy shall, upon a poll, have one vote for each share held by him. Unless the Board otherwise determines, voting rights may not be exercised by a member who has not paid to the Company all calls and other sums then payable by him in respect of shares in the Company, or by a member who has been served with a disenfranchisement notice after failure to provide the Company with information which he is required to provide to it under any relevant legislation.

12.1.2 Where there are joint holders of a share, any one of them may vote at any meeting either personally or by proxy in respect of the share as if he were solely entitled to it, but if more than one joint holder is present at a meeting either personally or by proxy that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote in respect of it.

12.1.3 Income

Such profits as the Company may determine to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. Dividends must be declared and paid according to the amounts paid on the shares in respect of which the dividends are paid. The directors may pay such interim dividends as appear to them to be justified by the profits of the Company. No unpaid dividends shall bear interest as against the Company. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares instead of cash in respect of all or part of a dividend (“a scrip dividend”). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares (or other specific assets) instead of that dividend.

The Company or its directors may fix a record date for a dividend. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall, unless the directors otherwise resolve, be forfeited and shall revert to the Company.

12.1.4 Return of Capital

On a winding-up, subject to any special rights attaching to shares (of which there are none at present) the assets available for distribution shall be divided among the members in proportion to the amounts of capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court, 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 may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees on trusts for the benefit of the members as he within the same authority thinks fit but no member shall be compelled to accept any shares or other securities on which there is a liability.

12.2 *Allotment, Redemption and Pre-emption of Ordinary Shares*

The Company may by special resolution create and sanction the issue of shares which are, or at the option of the Company or the holder are to be liable, to be redeemed, subject to and in accordance with the provisions of any relevant legislation.

The current unissued share capital of the Company may be issued in accordance with the provisions summarised at paragraphs 3.10 and 3.11 of this Part VI, to be replaced if the Resolutions are passed as summarised in paragraph 3.12 of this Part VI. There are no pre-emption rights on transfer attaching to the shares in the capital of the Company.

12.3 Redeemable Shares

The Company has redeemable preference shares in its authorised share capital, none of which have been issued.

12.4 Directors' remuneration

The remuneration of the directors for their services as directors shall be determined by the Board. In addition, the directors are entitled to be reimbursed for all reasonable expenses incurred in connection with their duties as directors, including attendance at board meetings and general meetings of the Company.

A director may be appointed by the Board to any employment of executive office with the Company for such period (subject to the provisions of any relevant legislation) on such terms and at such remuneration as the Board may determine.

12.5 Directors

12.5.1 Retirement of Directors by Rotation

At every annual general meeting of the Company, one-third of the directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one third) shall retire from office by rotation.

The directors to retire shall be those of the directors who have been longest in office since their appointment or last re-appointment but, as between persons who became or were re-appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The directors to retire shall be determined (both as to number and identity) by the composition of the Board at the date of the notice convening the annual general meeting. A director shall not be required, or be relieved from the obligation, to retire by reason of a change in the Board after that time but before the close of the meeting.

At the meeting at which a director retires by rotation, the Company may fill the vacated office. A director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

12.5.2 Executive Directors

The directors may appoint a director to an executive office in the Company on such terms as the directors determine.

The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim he has for breach of his contract of employment or service.

12.5.3 Directors' Interests

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the Board concerning any contract, arrangement or other proposal in which he is, to his knowledge, directly or indirectly, materially interested.

The prohibition will not apply to the following:

- 12.5.3.1 an arrangement for giving a guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- 12.5.3.2 a proposal concerning an offer of securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- 12.5.3.3 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of any class of its equity share capital or of its voting rights;

- 12.5.3.4 certain arrangements for the benefit of the employees of the Company or any of its subsidiary undertakings which do not award the director a privilege or benefit not awarded to the employees to whom the arrangement relates; or
- 12.5.3.5 a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

Subject to the relevant legislation and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company and the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any profit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution of the directors or committee of the directors concerning his own appointment, including the arrangement or variation of the terms or the termination of his own appointment or the appointment of another person to an office in a company in which the director has a material interest.

Where proposals are under consideration concerning the appointment, including the arrangement or variation of the terms or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

12.6 Transfer of shares

Any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system. The following provisions apply to uncertificated shares as if the reference therein to the date on which the transfer was lodged with the Company was reference to the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system.

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be affected by instrument in writing in the usual common form or any other form which the directors may approve. The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The directors may likewise refuse to register any transfer in favour of more than four persons jointly. The directors may decline to recognise any instrument of transfer unless it is lodged, duly stamped, with the Company, accompanied by the relevant certificate and such other evidence as the directors may reasonably require to show the right of the transferor to the make the transfer, and unless the instrument is in respect of only one class of share.

The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, refuse to register the transfer of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice. The directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the relevant system or The Uncertificated Securities Regulations 1995 (as amended).

There are no pre-emption rights on transfer attaching to the shares in the capital of the Company.

12.7 Variation of Rights

The rights attaching to the shares in the Company may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of the relevant class or with the section of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

12.8 Borrowing Powers

The directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (or, as regards subsidiaries, so far as they can so secure) that the aggregate principal amount (after adjustments provided for in the Articles) at any one time owing by the Company shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to 2 times the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries and including (without limitation) share premium account, capital redemption reserve and credit balance on profit and loss account but after deducting any debt balance on profit and loss account and subject to such adjustments as are specified in the Articles.

13. Material Contracts

13.1 The following contracts (being contracts otherwise than in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the date of this document or are relevant to the proposals contained in this document and are or may be material:

13.1.1 share sale agreement between (1) the Company and (2) A J McGee dated 13 June 2003 under which A J McGee acquired on 8 July 2003, the entire issued share capital of Poptones Limited and its subsidiary companies for a nominal consideration of £1 plus an override royalty on profits generated by either or both of Poptones Telstar 1 Limited/ Poptones Telstar 2 Limited in excess of £50,000 during the period to 30 September 2004 and on sales of albums in respect of certain specified artists;

13.1.2 an engagement letter from Altium to the Company dated 7 April 2004 under which Altium was retained by the Company as its exclusive financial adviser in connection with the Acquisition for a cash fee of £90,000 and the Success Fee, payable in Success Fee Shares (exclusive of VAT). In addition, Altium is retained as the Company's nominated adviser for an annual fee of £18,000 (exclusive of VAT). The terms of Altium's appointment can be terminated on one month's prior written notice served by either party on the other;

13.1.3 acquisition agreement dated 26 July 2004 between (1) the Vendors and (2) the Company under which the Company has conditionally agreed to acquire the issued share capital of Strike Lucky. The initial consideration payable under the Acquisition Agreement is £14.184 million to be satisfied by the issue and allotment of 118,196,530 New Ordinary Shares at 12p per share and additional consideration of up to £1.5 million to be satisfied by the issue of Earn-out Loan Notes as summarised in paragraph 13.1.4. The additional consideration is payable in annual tranches of £750,000 if Strike Lucky achieves a target profit before interest, tax and exceptional items of £896,500 in any of the three financial periods ending 31 December 2004, 31 December 2005 and 31 December 2006, with the additional consideration in respect of each financial period being increased by £83.33 for every £100 by which profits exceed £896,500, subject always to a maximum aggregate amount of £1.5 million. Completion of the Acquisition is conditional, *inter alia*, on the passing of the Resolutions, the Share Capital Reduction and Admission. The Vendors have given warranties under the Acquisition Agreement to the Company as to the respective title to their shares in Strike Lucky and substantial warranties relating to Strike Lucky, with their liability in respect of the substantive warranties being capped at £2,000,000. The Vendors have also entered into restrictive covenants to protect the business of Strike Lucky;

13.1.4 a loan note instrument dated 26 July 2004 under which the Company created £1,500,000 of unsecured non-qualifying corporate bond loan notes. The loan notes accrue interest at a rate of 4 per cent. above the base rate from time to time of National Westminster Bank plc, payable half yearly in arrears on 30 June and 31 December. The loan notes are

redeemable within 10 business days of the date falling 6 months from their date of issue provided the Company has sufficient working capital headroom available for these purposes.

- 13.1.5 a deed of covenant between (1) the Vendors (2) the Company and (3) Altium dated 26 July 2004. Under the deed, each of the Vendors has undertaken to abstain from voting whether as a director and/or shareholder of the Company on certain matters concerning themselves in relation to which a conflict of interest could arise (including, without limitation, the issue and/or redemption of loan notes pursuant to the Acquisition Agreement) and to act in the best interests of minority shareholders of the Company. The Vendors have also undertaken not to acquire any Ordinary Shares in the Company nor to dispose of any Ordinary Shares registered in his/her name or in the name of a person connected with him/her for a period of two years from Admission, unless such disposal is made with the prior written consent of the Enlarged Group's board (excluding any Vendors) and Altium (which can be given or withheld in its sole discretion) or in certain other specified circumstances, such as a takeover;
- 13.2 The following contracts (being contracts otherwise than in the ordinary course of business) have been entered into by Strike Lucky within the two years immediately preceding the date of this document or are relevant to the proposals contained in this document and are or may be material:
- 13.2.1 Strike Lucky has provided loans to other companies controlled by Adrian Williams. Outstanding loans were repaid in full on or before 28 April 2004. On 10 October 2003, Strike Lucky entered into a loan agreement with Activ8 Limited (a company controlled by Adrian Williams) to provide loan facilities of up to £200,000. This Agreement was on 23 July 2004 novated to Eiger Properties Limited (a company controlled by Adrian Williams) and Strike Lucky was repaid all advances made plus accrued interest amounting in total to £120,338.40 by Eiger Properties Limited on 23 July 2004. On 29 September 2003 Strike Lucky subscribed at par for 235,000 Redeemable 5% Preference Shares of £1 in the share capital of NM Services Limited (which owns 100% of Alpha to Omega (UK) Limited). On 22 July 2004, Strike Lucky transferred these shares to Eiger Properties Limited (a company controlled by Adrian Williams) for a consideration in cash of £235,000.
- 13.2.2 On 23 July 2004 Strike Lucky acquired from the Vendors listed below the entire issued share capital of the companies listed below:

<i>Company</i>	<i>Issued Shares</i>	<i>Amount Paid</i>	<i>Vendors</i>
Strike Lucky.com Limited	2	£1	Adrian Williams, Wendy Ruck
Name that Tune Limited	2	£1	Adrian Williams, Wendy Ruck
Bingo Line Limited	2	£1	Adrian Williams, Wendy Ruck
Strike It Lucky Limited	2	£1	Adrian Williams, Wendy Ruck

- 13.3 Save as disclosed above, there are no contracts (not being in the ordinary course of business) entered into by the companies within the Enlarged Group during the two years preceding the date of this document which are or may be material or which contain any provision under which any company within the Enlarged Group has any obligation or entitlement which is material to the Enlarged Group as at the date of this document.

14. Litigation

- 14.1 Neither the Company nor its wholly owned subsidiary, Poptones Investors Limited, is engaged in any legal or arbitration proceedings, nor, so far as the Company is aware, are any such proceedings pending or threatened against the Company or Poptones Investors Limited which are having or may have a significant effect on the Company's financial position.
- 14.2 Save as disclosed in 14.2.1 none of Strike Lucky nor any of its subsidiaries are engaged in any legal or arbitration proceedings, nor, so far as the Proposed Directors are aware, are any such proceedings pending or threatened against Strike Lucky or any of its subsidiaries which are having or may have a significant effect on its financial position.

14.2.1 On 10 February 2004 Strike Lucky wrote to Thus plc alleging breach of copyright in respect of a promotion “Win a Dream Home” and seeking redress. On 24 February 2004 Thus plc wrote to Strike Lucky on a without prejudice basis alleging breach of copyright relating to the Company’s use of the promotion title “Win a Dream Home”. No further correspondence has taken place.

15. Working Capital

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

16. Intellectual Property Rights

There are no patents or other intellectual property rights, licences, or particular contracts which are of fundamental importance to the Enlarged Group’s business.

17. Investments

Other than as set out in this document, there are no investments in progress which are significant to the Enlarged Group’s business.

18. Fees

No person (other than the Company’s professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the Company’s application for Admission and no persons (other than as disclosed in this document) have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totaling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

19. Market Quotations

The following table shows the closing middle market quotations for Ordinary Shares (as derived from AIM at the close of business) on the first dealing day of each of the six months immediately prior to 3 November 2003, on 4 November 2003 (the date trading in the Ordinary Shares on AIM was suspended) and on 28 July 2004 (the last dealing day before publication of this document):

<i>Relevant Dates</i>	<i>Price per Ordinary Share p</i>
2 June 2003	6.00
1 July 2003	3.75
1 August 2003	3.75
1 September 2003	3.75
1 October 2003	3.75
3 November 2003	9.00
4 November 2003	12.00
28 July 2004	12.00

20. General Information

- 20.1 The total costs and expenses relating to the Proposals and Admission are payable by the Company and are estimated to amount to approximately £369,000 (excluding valued added tax).
- 20.2 The nominated adviser to the Company is Altium Capital Limited of 5 Ralli Courts, West Riverside, Manchester, M3 5FT.
- 20.3 Altium Capital Limited is registered as a private limited company incorporated in England and Wales under the Act with registered number 107267 and is authorised regulated by The Financial Services Authority Limited. Its registered office is at 30 St James’s Square, London SW1Y 4AL.
- 20.4 Altium has given and has not withdrawn its written consent to the issue of this document and references to its name in the form and context in which they appear.
- 20.5 Horwath Clark Whitehill LLP, Chartered Accountants of Arkwright House, Parsonage Gardens, Manchester, M3 2HP, were auditors of the Company for the periods relating to the accounts set out in Part III of this document.

- 20.6 Horwath Clark Whitehill LLP has given and has not withdrawn its written consent to the issue of this document with the references herein to its reports (for which it takes responsibility accordingly) and name in the form and context in which they appear.
- 20.7 The Company's registrars are Capita Registrars Limited of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA.
- 20.8 The broker to the Company is Rowan Dartington & Co. Limited of 7th Floor, Colston Tower, Colston Street, Bristol, BS1 4RD.
- 20.9 Copies of this document will be available free of charge to the public at the offices of Altium Capital Limited, 30 St James's Square, London SW1Y 4AL during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of one month from the date of Admission.
- 20.10 Copies of the following documents may be inspected at the registered office of the Company and at the offices of Altium Capital Limited, 30 St James's Square, London SW1Y 4AL during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document up to and including one month from the date of Admission:
- (a) the Memorandum and Articles of Association of the Company;
 - (b) the Report and Accounts as set out in Parts III and IV of this document.
 - (c) the service contracts and letters of appointment referred to in paragraph 6 above;
 - (d) the Memorandum and Articles of Association of Strike Lucky;
 - (e) the written consents referred to in paragraph 20.4 and 20.6 above;
 - (f) the material contracts referred to in paragraph 13 above;
 - (g) the irrevocable undertakings referred to in paragraph 5.23 above; and
 - (h) this Admission Document.

Dated: 29 July 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

HAWTHORN HOLDINGS PLC

(Registered in England and Wales under Company No: 4020844)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hawthorn Holdings plc ("the Company") will be held at 11 a.m. on 25 August 2004 at Third Floor, 345 Stockport Road, Manchester M13 0LF for the purposes of considering, and if thought fit, passing the following resolutions of which resolutions 1 to 4 will be proposed as ordinary resolutions and resolutions 5 to 7 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

- 1 **THAT**, subject to Admission (as defined in the prospectus to shareholders of the Company dated 29 July 2004 ("the Prospectus")) and subject to the passing of Resolutions 2-7, the acquisition ("the Acquisition") by the Company of the whole of the issued share capital of Strike Lucky Games Limited ("Strike") on the terms and subject to the conditions set out in the agreement dated 26 July 2004 ("the Acquisition Agreement") between (1) Adrian John Williams and Wendy Elaine Ruck and (2) the Company and related documentation to be entered into pursuant to the Acquisition Agreement as summarised in the Prospectus, copies of which documents are available for inspection at the offices of Altium Capital Limited, 30 St James Square, London SW1Y 4AL, be and are hereby approved with such minor amendments as the Directors may approve, and the Directors or any duly authorised committee of the Directors be hereby authorised to take all steps necessary or desirable to complete the Acquisition.
- 2 **THAT**, subject to the passing of Resolutions 1 and 3-7, the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the Vendors to make a general offer to the shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the allotment and issue to the Concert Party by the Company pursuant to the Acquisition of 118,196,530 Consideration Shares (as defined in the Prospectus), representing 95.0 per cent. of the Enlarged Group's issued voting share capital, as described in the Prospectus of which this notice forms part, be and is hereby approved.
- 3 **THAT**, subject to the passing of Resolutions 1,2 and 4-7, in substitution for any existing and unexercised authorities, the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in the said section) up to an aggregate nominal amount equal to the Company's authorised but unissued share capital provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company or (if earlier) fifteen months after the passing of this resolution unless renewed or extended prior to such time, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
- 4 **THAT**, subject to the passing of Resolutions 1-3 and 5-7, the Company be and is hereby authorised to enter into, at any time before 25 February 2006 ("the Expiry Date") contracts for market purchases (within the meaning of section 163 (3) of the Companies Act 1985) of not more than 12,441,740 ordinary shares of 1 pence each in the capital of the Company at a price per share which, in the case of any such contract, is:
 - (a) no higher than 5 per cent. above the average of such a share's middle market quotations derived from the Daily Official List of The London Stock Exchange plc for the 5 days immediately preceding the date when the contract is entered into, being days on which the London Stock Exchange plc is open for the transaction of business; and
 - (b) no lower than 1 pence; and
 - (c) so that the Company may complete any such purchase after the Expiry Date if the contract of purchase was entered into before the Expiry Date.

SPECIAL RESOLUTIONS

5. **THAT**, in substitution for any existing and unexercised authorities and subject to the passing of Resolutions 1-4, and 6-7, the Directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by Resolution 3 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- 5.1 the allotment pursuant to the Acquisition of a maximum of 118,196,530 ordinary shares of 1 pence each;
 - 5.2 the allotment of a maximum of 500,000 ordinary shares of 1 pence each in connection with the Share Success Fee (as defined in the Prospectus);
 - 5.3 the allotment (otherwise than pursuant to paragraphs 5.1 and 5.2 of this Resolution) of equity securities up to an aggregate nominal amount of £124,417 to executive directors, employees and/ or consultants of the Company or any of its subsidiary companies (representing approximately 10 per cent of the enlarged issued ordinary share capital of the Company immediately following Admission);
 - 5.4 the allotment (otherwise than pursuant to paragraphs 5.1, 5.2 and 5.3 of this Resolution) of equity securities equal to the Company's authorised but unissued share capital;
 - 5.5 the allotment of equity securities in connection with a rights issue or open offer in favour of holders of ordinary shares of 1 pence each in the capital of the Company and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons' holdings (or as appropriate to the number of such ordinary shares of 1 pence each in the capital of the Company which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares of 1 pence each in the capital of the Company held or deemed to be held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any Stock Exchange in any territory;

and shall expire on the date of the next annual general meeting of the Company or (if earlier) 15 months from the date of passing of this resolution save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

6. **THAT**, subject to the passing of Resolutions 1-5 and 7:
- 6.1 the capital of the Company be reduced by cancelling the paid-up capital to the extent of 99 pence on each issued ordinary share of £1 each and by reducing the nominal value of each ordinary share, whether issued or unissued, from £1 to 1 pence;
 - 6.2 the share premium account of the Company be cancelled; and
 - 6.3 immediately upon the reduction in capital referred to in paragraph 6.1 becoming effective, the authorised share capital of the Company be increased to £2,550,000 by the creation of 66,366,130 ordinary shares of 1 pence each to rank *pari passu* with the Company's existing ordinary shares of 1 pence each;

7. **THAT**, subject to the passing of Resolutions 1-6 and the approval by the High Court of Justice in England and Wales of the share capital reduction referred to in Resolution 6 above, the name of the Company be changed to “DM plc”.

Registered Office:

Third Floor
345 Stockport Road
Manchester
M13 0LF

By Order Of The Board
Ian Aspinall
Company Secretary
29 July 2004

Notes

1. *In order to comply with the City Code on Takeovers and Mergers, Resolution 2 will be taken on a poll.*
2. *A member who is entitled to attend and vote at the meeting convened by this notice may appoint one or more proxies to attend and, on a poll, vote instead of him.*
3. *The proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and/or voting at the meeting.*
4. *A form of proxy for use at the meeting is enclosed and, if used, should be lodged at the address stated thereon, not less than 48 hours before the time of the meeting.*
5. *The time by which a person must be entered on the Register of Members in order to have the right to attend or vote at the Extraordinary General Meeting is 4.30 p.m. on 23 August 2004. Changes to entries on the Register of Members after that time and date will be disregarded in determining the rights of any person to attend or vote at the meeting.*

HAWTHORN HOLDINGS PLC

FORM OF PROXY

For the use by ordinary shareholders at the Extraordinary General Meeting at 11 a.m. on 25 August 2004

I/We.....
(block capitals please)

of.....
 being (a) member(s) of Hawthorn Holdings plc, hereby appoint the Chairman of the Meeting, or

.....
 as my/our proxy to vote for me/us and on my/our own behalf as indicated below at the Extraordinary General Meeting of the Company to be held on 25 August 2004 at 11 a.m. at the Company's offices at Third Floor, 345 Stockport Road, Manchester M13 0LF, and at any adjournment thereof.

Please indicate with an "X" in the appropriate boxes below how you wish your votes to be cast. If you sign this Form of Proxy and return it without any specific directions, your proxy will vote (or abstain from voting) as he thinks fit. On any other business arising at the Extraordinary General Meeting (including any motion to amend a resolution or to adjourn the Extraordinary General Meeting) the proxy will act at his discretion.

Resolution Number	Resolution	For	Against
1	To approve the acquisition of Strike Lucky Games Limited.		
2	To waive the requirement of the Concert Party (as defined in the Prospectus) to make a general offer for the Company.		
3	To grant the relevant authority to issue shares.		
4	To grant the relevant authority to permit the Company to purchase its own shares.		
5	To disapply statutory pre-emption rights.		
6	To approve the proposed reduction of the Company's share capital and cancellation of its share premium account.		
7	To change the name of the Company to DM plc.		



Signed: Date: 2004

Notes:

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy does not preclude a member from attending and voting in person.
3. Where this Form of Proxy is executed by a corporation it must be either under seal or under the hand of an officer or attorney duly authorised.
4. If the Form of Proxy is signed and returned without any indication as to how the proxy shall vote, the proxy shall exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the Form of Proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be deposited at Capita Registrars, Proxy Department, P.O. Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time for holding the meeting.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122



Capita Registrars (Proxies)

PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD (TUCK IN)