

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

Application has been made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM 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, the London Stock Exchange has not itself approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made.

A copy of this document, which comprises an admission document drawn up in accordance with the rules set out in Chapter 16 of the Rules of the London Stock Exchange (the "AIM Rules"), has been issued in connection with the application for admission to trading of the Ordinary Shares on AIM.



PEEL HOTELS PLC

Placing of 1,600,000 Ordinary Shares of 10p each
at 25p per share

by

PEEL, HUNT & COMPANY LIMITED

and

Admission to trading on the Alternative Investment Market

The Placing, which is underwritten by Peel, Hunt & Company Limited ("Peel Hunt"), is conditional, *inter alia*, on Admission taking place on or before 19 March 1998 (or such later date as Peel Hotels PLC and Peel Hunt may agree). The Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

The Directors of Peel Hotels PLC, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and there is no other material information the omission of which is likely to affect the import of such information.

Peel Hunt, which is regulated by the Securities and Futures Authority Limited, is acting as the Company's nominated adviser in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

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DEFINITIONS

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

"Acquisition"	the acquisition by the Company of the business and assets of, and a lease over, The Bull Hotel
"Acquisition Agreement"	the agreement dated 9 March 1998 relating to the Acquisition, details of which are set out in paragraph 10 of Part IV
"Act"	the Companies Act 1985
"Admission"	the admission of the ordinary share capital to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules set out in Chapter 16 of the Rules of the London Stock Exchange
"Board" or "Directors"	the directors of the Company, whose names are set out on page 4
"Company" or "Peel Hotels"	Peel Hotels PLC
"London Stock Exchange"	London Stock Exchange Limited
"Option Deed"	the deed of the Company dated 27 February 1998 relating to an option granted to Robert Peel to subscribe for up to 1,000,000 Ordinary Shares, further details of which are set out in paragraph 6 of Part IV
"Ordinary Shares"	ordinary shares of 10p each in the Company
"Peel Hunt"	Peel, Hunt & Company Limited
"Placing"	the placing by Peel Hunt of 1,600,000 new Ordinary Shares at 25p each
"Placing Agreement"	the conditional agreement dated 10 March 1998, between the Company and Peel Hunt relating to the Placing and Admission, further details of which are set out in paragraph 9 of Part IV
"The Bull Hotel"	the hotel, situated in Peterborough, known as "The Bull Hotel", which was acquired by the Company pursuant to the Acquisition Agreement

References to page numbers, paragraphs and Parts are references to such page numbers, paragraphs and Parts in this document, unless the context requires or indicates otherwise.

DIRECTORS AND ADVISERS

Directors	Robert Edmund Guy Peel, <i>Executive Chairman</i> Clement John Govett, <i>Non-executive</i> Keith Peter Benham, <i>Non-executive</i> of 62 Threadneedle Street, London EC2R 8HP
Secretary	Gravitas Company Secretarial Services Limited 110 Cannon Street London EC4N 6AR
Nominated Adviser and Nominated Broker	Peel, Hunt & Company Limited 62 Threadneedle Street London EC2R 8HP
Auditors and Reporting Accountants	Deloitte & Touche Chartered Accountants Hill House 1, Little New Street London EC4A 3TR and Leda House Station Road Cambridge CB1 2RN
Solicitors to the Company	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
Solicitors to the Nominated Adviser	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ
Bankers	The Royal Bank of Scotland plc 62-63 Threadneedle Street London EC2R 8LA
Valuers	Christie & Co Alan House Clumber Street Nottingham NG1 3ED
Registrars	The Royal Bank of Scotland plc Registrar's Department 5-10 Great Tower Street London EC3P 3HX
Registered Office	62 Threadneedle Street London EC2R 8HP

PART I

INFORMATION ON THE COMPANY

Introduction

The Company was formed to provide finance for a start-up hotels business. The Company's first acquisition was completed today, 12 March 1998, when it acquired The Bull Hotel. The purpose of this document is to give details of a placing which is intended to raise £400,000 to fund the expenses associated with the Acquisition and the Company's flotation on AIM and to provide initial working capital.

Application has been made for the Ordinary Shares to be admitted to trading on AIM, and the Placing is conditional on such admission.

The business

The Company was incorporated on 27 November 1997 and commenced trading today, 12 March 1998, following the Acquisition. An accountants' report on its balance sheet as at 20 February 1998 is included in Part II.

On 12 March 1998 the Company completed the acquisition of the business and assets of, and a 60 year lease over The Bull Hotel for a cash consideration of £3.85 million. This was funded by a secured bank overdraft of £3.0 million provided by The Royal Bank of Scotland plc and by £790,000 and £60,000 in initial equity subscriptions in the Company's share capital by the Directors and Peel Hunt respectively. Further details of the Acquisition, the lease and the security granted to the Company's bankers are set out in paragraph 10 of Part IV.

The Bull Hotel is located at the centre of Peterborough, the expanding East Anglian city whose population has more than doubled in little more than a decade. The 102 bedroom hotel has a three-star AA rating, together with an AA quality assessment of 70 per cent. There are five conference rooms with an overall capacity for 376 delegates together with ample parking, with 100 spaces adjoining the hotel.

A valuation report on The Bull Hotel is included in Part III.

Strategy

The Company's strategy is to build an hotels business in the UK by identifying opportunities where value can be added and superior shareholder returns can be achieved. Within the underlying criteria of location, quality, value for price and the current and continuing needs of the market, the Company will actively seek out ownership and management opportunities within the hotel and catering sector.

Prospective shareholders should be aware that any investment in the Company may need to be for the long-term in order to obtain the benefit of this strategy.

It is possible that any acquisition will be treated as a reverse takeover, requiring the consent of shareholders, suspension of the Company's quotation on AIM and an application for the enlarged Company's shares to recommence trading on AIM or to be admitted to any other appropriate stock market.

Prospects

The Company's accounting reference date is to be 28 February, with its first accounting period to run from incorporation on 27 November 1997 to 28 February 1999. Trading will be reflected in the accounts for the period from 12 March 1998, the date of completion of the Acquisition.

The Directors expect that trading of The Bull Hotel for the remainder of the period ending 28 February 1999 will be ahead of the comparable period of the preceding year.

Details of the Placing

Peel Hunt has conditionally placed 1,600,000 new Ordinary Shares, as agent for the Company, with investors at 25p per share. The Placing, which has been underwritten by Peel Hunt, is conditional upon the admission of the Company's Ordinary Shares to trading on AIM by 19 March 1998, or such later time as Peel Hunt and the Company agree.

The Placing is intended to raise £400,000, before expenses. After expenses of the Placing and Admission, estimated in total at £32,000, excluding recoverable VAT, the Placing is intended to raise £368,000 net. The net funds available to the Company will be used to meet the costs of the Acquisition and to provide working capital.

It is expected that the proceeds of the Placing will be received by the Company on or before 19 March 1998, and certificates in respect of the Ordinary Shares will be despatched by post, within 14 days of the date of Admission. Pending despatch of definitive share certificates, the Company's registrars will certify any instruments of transfer against the register.

Directors

Details of the Directors and their backgrounds are as follows:

Robert Peel (Executive Chairman, aged 50)

Robert Peel was chief executive of Mount Charlotte Investments Plc, renamed Thistle Hotels Plc, from 1976 to 1997. He has worked in the hotel industry for over 30 years and has been presented with several industry awards, including European Hotel Personality of the Year in 1985 and 1996. He was President of the British Association of Hotel Accountants from 1994 to 1997 and is a fellow of the Hotel and Catering Institute Management Association and a director of the London Tourist Board.

John Govett (Non-executive, aged 54)

John Govett is Group Managing Director - Asset Management of Schroders plc. He is Chairman of Schroder Split Fund plc and a director of a number of other investment trusts.

Keith Benham (Non-executive, aged 55)

Keith Benham has been a partner in Linklaters & Paines since 1973. He is director and governor of St. Mary's School (Calne) and Lord Wandsworth College, both companies limited by guarantee, and was a director of the Board of the Southern Region of British Rail from 1989 until 1992.

Following the Placing, the Directors will have invested £790,000 in aggregate in the Company's share capital. Rule 16.9(c) of the AIM Rules requires each of the Directors to agree not to dispose of any interest in Ordinary Shares held by him on the date of Admission within a period of twelve months following such admission, save in certain specified circumstances.

As an incentive to the Executive Chairman to achieve the Company's strategy, he has been granted an option to subscribe for 1,000,000 Ordinary Shares at 25p, 50p, 75p and 100p per share, in equal tranches. The option can be exercised at any time between 27 February 2001 and 26 February 2008. Further details of the Option Deed are set out in paragraph 6 of Part IV.

Corporate governance

The Directors intend, so far as is possible given the Company's size and the constitution of the Board, to comply in due course with the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance. At this time, however, the Board comprises three members, only one of whom is a full time executive. As soon as the Company's business has developed sufficiently, the Directors intend to establish an audit committee and a remuneration committee comprising a majority of non-executive directors.

Initial dividend policy

The Directors intend to operate a progressive dividend policy, paying an initial dividend when they consider it prudent to do so.

PART II

ACCOUNTANTS' REPORT ON THE COMPANY

The following is the text of a report received from the Company's reporting accountants, Deloitte & Touche, of Leda House, Station Road, Cambridge CB1 2RN:

The Directors
Peel Hotels PLC
62 Threadneedle Street
London EC2R 8HP

The Directors
Peel, Hunt & Company Limited
62 Threadneedle Street
London EC2R 8HP

12 March 1998

Dear Sirs

PEEL HOTELS PLC (the "Company")

We report on the financial information set out below. This financial information has been prepared for inclusion in the document prepared in connection with the admission of the Company's shares to the Alternative Investment Market (the "Admission Document") dated 12 March 1998.

Basis of preparation

The financial information set out in paragraphs 1 and 2 below is based on the audited non-statutory accounts of the Company for the period from incorporation on 25 November 1997 to 20 February 1998 to which no adjustments were considered necessary.

No audited financial statements have been prepared for submission to the members in respect of any period since incorporation.

Responsibility

Such financial statements are the responsibility of the directors of the Company (the "Directors") who approved their issue.

The Directors are also responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information set out in paragraphs 1 and 2 below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 20 February 1998. The Company had not incurred a profit or loss at that date.

Consent

We consent to the inclusion of this report in the Admission Document and accept responsibility for this report for the purposes of the rules set out in Chapter 16 of the Rules of the London Stock Exchange.

1. Balance sheet

	20 February 1998 £
Fixed assets	
Deposit paid	50,000
Current assets	
Cash at bank and in hand	75,000
	<u>125,000</u>
Capital and reserves (note 2.2)	
Called up share capital	50,000
Share premium	75,000
	<u>125,000</u>

2. Notes to the financial information

2.1 Incorporation

The Company was incorporated on 25 November 1997 as Peel Hotels Limited. On 27 February 1998, the Company changed its name to Peel Hotels PLC and re-registered as a public limited company. The Company has not traded. No financial statements have been made up for presentation to members and no dividends have been declared or paid. Accordingly, no profit and loss account information is presented in this report.

2.2 Called up share capital

	20 February 1998 £
Authorised	
25,000,000 ordinary shares of 10p each	<u>2,500,000</u>
Allotted, called up and fully paid	
500,000 ordinary shares of 10p each	<u>50,000</u>

On incorporation the authorised share capital of the Company was £1,000, representing 1,000 ordinary shares of £1 each. The issued share capital of the Company was £2, representing 2 ordinary shares of £1 each (the "Subscriber Shares").

On 18 February 1998 the ordinary shares of £1 each were sub-divided into ordinary shares of 10p each ("Ordinary Shares") and the sub-divided Subscriber Shares transferred to Robert Peel, one of the Directors. On that date the authorised share capital of the Company was increased from £1,000 to £2,500,000 by the creation of a further 24,990,000 Ordinary Shares and the issued share capital was increased from £2 to £50,000 by the cash subscription by Robert Peel for 499,980 Ordinary Shares at a price of 25p each.

2.3 Post balance sheet events

- (a) On 27 February 1998 the Company issued a further 1,040,000 Ordinary Shares at 25p each to Robert Peel.
- (b) On 2 March 1998 the Company issued a further 1,460,000 Ordinary Shares at 25p each to Robert Peel.
- (c) On 10 March 1998 the Company issued 80,000 Ordinary Shares each to John Govett and Keith Benham, the remaining Directors, at 25p each and 240,000 Ordinary Shares at 25p each to Peel, Hunt & Company Limited.

- (d) On 12 March 1998 the Company acquired as a going concern the hotel situated in Peterborough known as "The Bull Hotel" for a cash consideration of £3.85 million. The acquisition was funded by a £3.0 million secured overdraft provided by The Royal Bank of Scotland plc and £850,000 from the share issues described above.
- (e) No material contracts or transactions have been entered into save for that set out in 2.3(d) above and the corporate placing and admission agreement made between the Company, the Directors and Peel Hunt and dated 10 March 1998 as set out in section 9 of Part IV of the Admission Document.

Yours faithfully

Deloitte & Touche
Chartered Accountants

PART III

VALUATION REPORT ON THE BULL HOTEL

The following is the text of a report received from the Company's valuers, Christie & Co, of Alan House, Clumber Street, Nottingham NG1 3ED:

The Directors
Peel Hotels PLC
62 Threadneedle Street
London EC2R 8HP

The Directors
Peel, Hunt & Company Limited
62 Threadneedle Street
London EC2R 8HP

12 March 1998

Dear Sirs

1. Instructions

- 1.1 In accordance with the instructions of the directors of Peel Hotels PLC (the "Company") we have undertaken a valuation of the long leasehold interest in The Bull Hotel, 16a Westgate, Peterborough (the "Property") as at 11 February 1998, which has been owned and operated since 12 March 1998 by the Company.
- 1.2 We now advise you as to our opinion of The Bull Hotel's Existing Use Value for the purposes of inclusion in the Admission Document (the "Admission Document") for flotation of the Company on the Alternative Investment Market of the London Stock Exchange.
- 1.3 The valuation report is for the stated purpose and for the sole and exclusive use of the Company. The report shall not be published or reproduced in any way other than as required to be in the Admission Document. It is governed by English Law and any dispute therefrom shall be adjudicated upon only in the English Courts.
- 1.4 This valuation report has been prepared in accordance with the practice statements in the Royal Institution of Chartered Surveyors "Appraisal and Valuation Manual" (the "Manual") and with The Listing Rules published by the London Stock Exchange.
- 1.5 We consent to the inclusion of this report in the Admission Document and accept responsibility for this report for the purposes of the rules set out in chapter 16 of the Rules of the London Stock Exchange.

2. Inspections

- 2.1 The Bull Hotel was inspected on 11 February 1998 and the inspection and valuation was undertaken by valuers qualified in accordance with Practice Statement 5.1 contained in the Manual.

3. Basis of valuation

- 3.1 The Bull Hotel has been valued to Existing Use Value as a fully equipped operational trading entity.
- 3.2 Existing Use Value is defined in the Practice Statement 4.3 of the Manual as follows:

"An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest;
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion;
- (f) the property can be used for the foreseeable future only for the existing use; and

- (g) that vacant possession is provided on completion of the sale of all parts of the property occupied by the business (save that, solely where the property is owned by a public or other non-profit-making body for the delivery of a service, it is to be assumed that the property will continue to be occupied or let for its existing use)."

4. General conditions of valuation

4.1 Trade furnishings, fixtures, fittings, plant and equipment

Properties of this type normally change hands in the open market as fully operational business units. Our valuation, therefore, includes all plant, fixtures, fittings, furniture and moveable items of that nature as these are usually included in the sale. No additional allowance has been made for individual items of furniture, fine art, or articles with antique or rarity values.

4.2 Services

We were not instructed to arrange for any services or installations to be tested and therefore this report does not express any opinion as to their adequacy or condition. We value on the basis that the services and installations are in satisfactory condition and adequate for the business being undertaken at the time of our inspection.

4.3 Statutory requirements

We have assumed, based on information supplied, that all requisite consents, licences and permissions have been obtained and there are no outstanding conditions or works required by the appropriate national and local authorities and have therefore assumed that there are no proposals likely detrimentally to affect the property. Where known, we have taken account of any planning proposals which may affect the property. Furthermore, we have assumed that the Property complies in all material respects with all statutory requirements, including the Fire Precautions Act 1971 and Food Safety Act 1990.

4.4 Structural condition

We were not instructed to carry out a structural survey of the property and therefore in preparing our Valuation Report we have assumed the property to be of sound design and construction, free from any inherent defect or defects. Furthermore, we did not inspect woodwork or other parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. This report does not therefore express any opinion about or advise upon the condition of uninspected parts nor does this report in any way constitute nor can it be construed as constituting any representation or warranty actual or implied regarding such parts.

4.5 Site investigations

We have not carried out or commissioned a site investigation or geographical or geophysical survey, and therefore can give no opinion or assurance or guarantee that the site of the Property has sufficient load bearing strength to support the existing constructions, or any other construction that may be erected upon the site in the future. We also cannot give any opinion or assurance or guarantee that there are no underground mineral or other workings beneath the site, or in the vicinity, nor that there is any fault or disability underground which could or might adversely affect the Property or any construction thereon.

4.6 Environmental factors

We are not aware of the contents of any environmental audit or other environmental investigation or soil surveys which may have been carried out on the Property and which may draw attention to any contamination. In undertaking our work, we have been instructed to assume that no contaminative uses have ever been carried out on the Property. We have not carried out any investigations into past or present uses either of the Property or of any neighbouring land to establish whether there is any potential for contamination from these uses or site to the Property and have therefore assumed that none exists. However should it be established subsequently that contamination exists at the Property or on any neighbouring land or that the premises have been or are being put to a contaminative use this might reduce the value now reported.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious or potentially deleterious material has been used in the construction of the Property or has since been incorporated and we are therefore unable to report that it is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material in an adverse condition.

4.7 Tenure

We have made this valuation having regard to the fact that the Company has good marketable leasehold title and that the Property is not subject to any unusual restrictions, encumbrances or outgoing. Furthermore, we have assumed that the area and boundaries of the Property are correct as indicated at the time of our inspection.

We have disregarded such adverse affect on the value of the leasehold interest by virtue of clauses which give the superior lessor the right to enter and take possession of the premises and plant machinery, fixtures and fittings belonging to the lessee in the event of the lessee being in a state of bankruptcy.

4.8 Year 2000 compliance

Our valuations assume that all computer, data storage and retrieval, communication and electronic systems are year 2000 compliant. Should such compliance not be achieved, the values of the Property may be affected.

4.9 Prudent lotting

The Property has been valued on an individual basis assuming it does not form part of a larger portfolio and on the assumption that neither the whole nor a significant part of the total estate will be exposed on the market at one and the same time. Depending on market circumstances the valuation of the properties as a whole or in parts may produce a greater or lesser figure than the aggregate value of the individual properties.

5. Exclusions

5.1 Stock-in-trade

We have excluded from our valuation the values of stock-in-trade, motor vehicles, trade debtors or creditors, other assets or liabilities, or contingent liabilities.

5.2 Professional fees / tax liabilities

We have not allowed for the cost of realising the asset value in the open market including any professional fees, any possible tax liabilities, and any redundancy or other compensation payments that could be incurred in the event of a sale.

5.3 Mortgages and debentures

We have valued the Property as being clear and free of all debentures, mortgages or other forms of secured lending and any other charges which may be secured thereon.

6. Trading information

We have been provided by the Company with details of trading information, together with certain other information for the Property. We have relied upon this information and have assumed that it can be verified by independent audit if necessary.

We stress that in the event of a future change in the trading potential or actual level of trade indicated by such information or assumptions, the Existing Use Value could also vary. In the limited time which has been made available to us we can take no responsibility for any omission, misrepresentation, or misstatement made to us.

7. Valuation certificate

We are of the opinion that the Existing Use Value on the basis previously described of the long leasehold interest in The Bull Hotel, Westgate, Peterborough, owned and operated by the Company, as at 11 February 1998 is as follows:

£3,850,000

(Three Million Eight Hundred and Fifty Thousand Pounds)

Christie & Co.
Valuers

Appendix

The Bull Hotel 16a Westgate Peterborough Cambs PE1 1RB

Location

The Bull Hotel is located in the centre of Peterborough with frontage on to Westgate and access to the rear via Broadway and Fitzwilliam Street. Surrounding property is primarily retail and office space and the hotel is in close proximity to the Queensgate Shopping Centre and Peterborough Cathedral.

Peterborough itself has a population of approximately 150,000, and is 41 miles from Leicester and 51 miles from Lincoln. It is readily accessible via the A1, A47 and the A15.

The City is an expanding commercial manufacturing centre with history dating back many centuries.

Description

The Hotel is a terraced property built largely in the 18th Century with the original frontage onto Westgate believed to date back to the 16th Century. More recent extensions have been carried out to the rear, in the 1960s and the 1970s. The property is principally of brick construction with a stone faced frontage to Westgate, primarily under pitched tiled roofs incorporating dormer windows to the front elevation. In addition some of the more recent extensions have been constructed under flat roofs. The hotel is of three storeys and is a Grade II listed building.

Accommodation

The principal public rooms are on the ground floor, whilst the bedrooms are on the first and second storeys.

We summarise the accommodation available as follows:

102 letting bedrooms (all with en suite facilities)
Restaurant (96 covers) **and two bars**
5 conference/function rooms
Reception with lounge area
Offices, kitchen, service, storage and ancillary accommodation

The letting bedrooms are arranged as 11 singles, 50 doubles, 36 twins, three family rooms, and two suites.

The conference/function rooms can accommodate 200, 60, 50, 50 and 16 each, theatre style.

Condition

Externally, the property appears to be in satisfactory decorative order and condition, having regard to the age of the building. At the time of our inspection repair work was being carried out to flat roofs covering the more recent extensions.

Internally, the trading areas were in satisfactory condition and repair and typical of a hotel of this quality. In addition the majority of the bedroom stock was to a good standard. At the time of our inspection four bedrooms were undergoing refurbishment and the Deputy Manager was of the opinion that a further 25 bedrooms were also in need of complete refurbishment.

Statutory obligations

Rateable Value: £121,000
Description: Hotel and Premises.

Planning and building regulation

On the 12 February 1998, we spoke to the Planning Department of Peterborough City Council who confirmed that The Bull Hotel is located within the city conservation area and is a Grade II listed building.

The Department also confirmed that an application for external alteration and removal of two chimney stacks has been submitted, although at the date of enquiry no decision had been made by the authority.

The Building Control and Planning Department stated that Westgate, the road to which The Bull Hotel has frontage, is due to be fully pedestrianised. There is also an application to extend the nearby Queensgate Shopping Centre over Peterborough Bus Station. The Department were not aware of any major proposals which might adversely affect the property and business.

Licences

On the 12 February 1998 we telephoned Peterborough Division Magistrates Court and were informed that The Bull Hotel has the benefit of a Justices Full On Licence and a Section 68 Supper Hour Certificate.

We also telephoned the Environmental Health Department of Peterborough City Council who advised us that The Bull Hotel has a Public Entertainment's Licence extending licensed hours to 1 a.m. for a maximum of 200 people.

Services

During our inspection, we noted that the property was connected to mains drainage, electricity, water and gas, with a system of gas fired central heating to all floors. We did not notice, nor were we made aware of any defects, and the remaining useful life span for services is estimated to exceed ten years.

We noted that the trading areas of the hotel were adequately equipped for the level of trade being undertaken. The fixtures and fittings were generally of a good standard. The catering kitchen was fully equipped with modern commercial quality stainless steel equipment and the beer cellars were fully cooled.

Letting bedrooms were equipped with free-standing furniture including bed side cabinet, desk, wardrobe and drawer unit. Each room has a colour television, direct dial telephone, trouser press, hairdryer and tea and coffee making facilities.

En suite bathrooms were fully tiled (some older bathrooms have linoleum covered floors) and include bath (the majority having shower facilities), wash hand basins and WCs.

We were advised that the restaurant and five function rooms have the benefit of air conditioning.

Site and ground conditions

During our inspection, we did not notice, nor were we made aware of, any adverse ground conditions in respect of the locality, which is predominantly commercial.

Environmental issues

The hotel has been in its existing use for over 100 years and is believed to have been a coaching inn during the 16th Century. Having regard to this continuous use and to the retail and office development surrounding the site, there is little prospect of environment issues affecting the property and the business.

Tenure

We were informed that an underlease will be granted in respect of The Bull Hotel for a term of 60 years between 1998 and 2058 at an initial rent of £48,000.

There are provisions in the draft underlease for rent reviews in September 2001, 2005, 2009 and five yearly thereafter. We understand that the underlease will be granted on full repairing and insuring terms.

We note that other principal terms of the lease include use of the premises as an hotel, permitting an assignment or subletting of the whole, or part, subject to landlord's consent (not to be unreasonably withheld) and compliance with certain other specified terms, with forfeiture in the circumstances of arrears of rent or a breach of covenant.

We have valued on the basis that all clauses included in the underlease will be drafted in a commercially acceptable manner.

The property is not subject to any underlettings or other rights of occupation, other than in respect of a shop at No. 16a Westgate, which comprises part of the hotel building and is subject to an occupational lease.

Business commentary

We were informed that The Bull Hotel trades as a commercial and meetings hotel in the period Sunday to Thursday, with function and coaching business predominating at weekends.

The Bull Hotel has traded as an hotel for many years and is largely unopposed in the city centre, the other central hotel being the Great Northern, with 54 bedrooms.

Other hotels are located out of town and include Orton Hall (49 bedrooms and three stars) about three miles distant, the Peterborough Moat House, two miles from the city centre (125 bedrooms and three stars) and the Swallow Hotel, five miles from the city centre (163 bedrooms and four stars).

The Bull Hotel further benefits from a nearby industrial estate, occupiers of which provide regular and substantial room business.

There has been a continuing programme of refurbishment at the hotel with recent expenditure including upgrading of two conference / meeting rooms (Broadway and Lincoln) and various letting bedrooms, including the recent refurbishment of four bedrooms.

The majority of the letting bedrooms have now been refurbished in the last three years, but over 20 letting bedrooms do not appear to have changed since the 1970s and are in need of upgrading.

Room tariffs are currently set at £67.50 single and £72.00 for twin/double, with higher tariffs for family rooms and suites and reductions at weekends of up to 40 per cent. Prices quoted are inclusive of VAT, but breakfasts are an additional charge.

Conference delegate rates are presently £28.00 for day delegates and £95.50 for 24 hour delegates, and we comment that these tariffs are competitive.

There is a compliment of 70 full time members of staff, including general and deputy managers, and a pool of about 40 part time staff.

We have been provided with profit and loss and trading accounts for the years ended 31 October 1995 and 1996, unaudited accounts for the year to 31 October 1997, and forecast turnover and hotel profit contribution and cash flow for 1998/99.

Market trends and general comments

Following the recession of the early 1990s, the hotel market reached the bottom of the property cycle in 1992, following which the market has shown steady growth in line with the general economic recovery, and in excess of the growth of the Retail Prices Index. This growth is reflected in the Christie & Co Hotel Index as follows:

	1992	1993	1994	1995	1996	1997
Index (Base 1975 = 100)	393	94	411	438	465	484
Year on Year % change	-	+0.25	+4.3	+6.6	+6.2	+4.1

Subject to external economic factors and/or a substantial change in economic policy, it is anticipated that this rate of growth in the market should continue for the foreseeable future.

The Bull Hotel is a commercial, city centre hotel which is largely unopposed within Peterborough itself and benefits from good levels of local corporate business.

It should be noted, however, that such growth may not occur and values can fall as well as rise.

PART IV

GENERAL INFORMATION

1. The Company and its share capital

- (a) The Company was incorporated and registered in England and Wales as a company limited by shares on 25 November 1997 under the Act with the name Peel Hotels Limited and with registered number 3473990. On 27 February 1998 the Company's name was changed to Peel Hotels PLC and it re-registered as a public limited company.
- (b) The authorised and issued share capital of the Company at the date of this document are as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares	25,000,000	2,500,000	3,400,000	340,000

- (c) The Directors are authorised for the purposes of sections 80 and 89(1) of the Act to allot Ordinary Shares for cash or otherwise up to the maximum of the authorised but unissued share capital, such authority to expire on the date of the Annual General Meeting to be held in 1999 or the date falling 15 months from 18 February 1998, whichever is the earlier.
- (d) Following the Placing, the authorised and issued share capital of the Company will be as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares	25,000,000	2,500,000	5,000,000	500,000

In addition, an option has been granted to Robert Peel to subscribe for up to 1,000,000 Ordinary Shares between 27 February 2001 and 26 February 2008, equivalent to 20 per cent. of the Ordinary Shares in issue following the Placing. Further details of this option are set out in paragraph 6 below.

2. Directors

(a) *Interests in the share capital of the Company*

The interests of the Directors in the share capital of the Company, all of which are beneficial, are as follows:

	<i>No. of Ordinary Shares</i>	<i>Percentage of existing share capital</i>	<i>Percentage of share capital following the Placing</i>
Robert Peel	3,000,000	88.2	60.0
John Govett	80,000	2.4	1.6
Keith Benham	80,000	2.4	1.6

Robert Peel also holds an additional effective interest of 0.4 per cent. of the share capital of the Company through a 5.2 per cent. holding in the ordinary share capital of Peel Hunt, whose interest in the share capital of the Company is set out in paragraph 3 below.

Robert Peel also holds an option to subscribe for 1,000,000 Ordinary Shares, details of which are set out in paragraph 6 below.

(b) *Directorships*

The Directors currently hold the following directorships and have held the following directorships within the five years prior to the publication of this document:

Robert Peel:

Current Directorships

Ivory & Sime UK Discovery Trust Plc; London Tourist Board Limited; Peel Hotels PLC; UTS Travel Services Limited.

Past Directorships

Arden Hotel (Stratford Upon Avon) Limited; Avon Hotel (Newcastle) Limited; Avon Hotel (Northumbria) Limited; Avon Hotel (Conference) Limited; Bondway Properties Limited; Brierley Investments Limited; British Holiday Association Limited; Bronte Liqueur Company Limited; Calmlands (Castle Donnington) Limited; Castle Ross Hotels Limited; Eastdell Limited; Exitcluster Limited; Firstbreak Limited; Fountainhall Property Development Limited; Gale Five Limited; Gale Four Limited; Gale Lister & Co Limited; Gale Six Limited; Gale Three Limited; Golden Egg Properties Limited; Grand Hotel Co (Bristol) Limited; Highlife Value Breaks Limited; Hospitality Inns Limited; Kingsmead Hotels Limited; Lakeshear Properties Limited; Lister Seven Limited; London Park Hotels Plc; LPH Angus Limited; LPH Grand Limited; LPH Knightsbridge Limited; LPH London Park Limited; LPH Mill Limited; LPH Plaza Limited; LPH Properties Limited; LPH Services Limited; Merit Hotel Pensions Limited; Mount Charlotte Catering Limited; Mount Charlotte Hotels Limited; Nijon Investments Limited; Picnic Basket Restaurants Limited; Pinewood Hotels Limited; Quay Hotel Limited; Rowton Hotels Limited; Skean DHU Limited; H Taylor (1989) Limited; H Taylor & Son (Storage) Limited; Thistle Hotels (Caledonia) Limited; Thistle Hotels (Management) Limited; Thistle Hotels Plc; Thistle Hotels (UK) Limited; Thistle Hotels & Restaurants Limited; Thistle Royal London Hotels Limited; Townor Hotels Limited; Tozer Kemsley & Millbourne (Holdings) Plc; West Midland Industrial Finance and Development Co Limited; Windermere Hydropathic Co Limited.

John Govett:

Current Directorships

City & Commercial Investment Trust plc; Derby Trust plc; INVESCO City and Commercial Trust plc; J Henry Schroder Bank AG; Newsphere Trading Company Limited; Peel Hotels PLC; Schroder Asian Property Managers Limited; Schroder Capital Management International Limited; Schroder Emerging Countries Fund plc; Schroder Executor & Trustee Company Limited; Schroder Investment Company Limited; Schroder Investment Management (Europe) Limited; Schroder Investment Management Limited; Schroder Investment Management (UK) Limited; Schroder Investments (Guernsey) Limited; Schroder Nominees Limited; Schroder Personal Investment Management Limited; Schroder Property Investments Limited; Schroders plc; Schroder Split Fund plc; Schroder Unit Trusts Limited; Schroder Ventures International Investment Trust plc; Schroder Ventures Investments Limited; Schroder Ventures Limited; SIM Nominees Limited; SUTL Nominees Limited.

Past Directorships

Chamwell Services plc; Schroder Properties Limited; Schroder Ventures Holdings Limited; Schroder Ventures International Holdings Limited; Worcester Properties Limited.

Keith Benham:

Current Directorships

Lord Wandsworth College; Peel Hotels PLC; Stern Farm Limited; St. Mary's School (Calne); Odiham Cottage Hospital Trust.

(c) *Receiverships and liquidations*

John Govett is a director of City & Commercial Investment Trust plc, which has been in members' voluntary liquidation since 1992.

(d) *Terms of employment*

Robert Peel entered into a service agreement on 27 February 1998. The initial term of the agreement will be twelve months and it will be terminable thereafter at any time by six months' notice given by either party to expire on or at any time after the first anniversary of the agreement. Robert Peel's annual salary shall be £10,000. The agreement provides that he shall devote such of his time, attention and skill to his duties as shall be necessary for the proper performance of his duties.

The non-executive Directors are engaged for an initial fixed term of one year and thereafter their engagement will continue until terminated by the Company giving twelve months' prior notice or the Director giving twelve months' prior notice. Each non-executive Director will be paid an annual fee £5,000.

(e) *Estimate of remuneration*

The total remuneration of the Directors in respect of the financial period ending 28 February 1999 is estimated to amount to £20,000.

3. Substantial shareholders

Save for the interests of Robert Peel, which are set out in paragraph 2(a) above, the Directors are aware of the following holding of Ordinary Shares which represents more than three per cent. of the Company's share capital:

	<i>No. of Ordinary Shares</i>	<i>Percentage of existing share capital</i>	<i>Percentage of share capital following the Placing</i>
Peel Hunt	240,000	7.1	4.8

The Directors are not aware of any persons, other than Robert Peel, who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

4. Memorandum of Association

The provisions contained in the Company's Memorandum of Association determining its objects state that the Company's main activity is that of a general trading company and a proprietor and manager of hotels of any description.

5. Articles of Association

The Articles of Association of the Company contain, inter alia, the following provisions relating to the rights attaching to Ordinary Shares:

- (a) There are no rights of pre-emption in respect of transfers of issued Ordinary Shares. However, in certain circumstances the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to place new shares for allotment of existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares are offered to the Company's shareholders.
- (b) In order to transfer Ordinary Shares, the instrument of transfer of any such shares must be in any usual or common form or in such other form as may be approved by the Directors and must be executed by or on behalf of the transferor and, if the shares are not fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share which is not fully paid, is not in respect of only one class of shares, is not duly stamped and is in favour of more than four persons jointly. Subject to disenfranchisement in default of supplying information required in a notice under section 212 of the Act, the Articles of Association contain no restrictions on the free transferability of fully paid shares, provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles of Association relating to the deposit of instruments for transfer have been complied with.
- (c) Each Ordinary Share confers the rights to receive notice of and attend all meetings of shareholders. Each holder of Ordinary Shares present at a general meeting in person or by proxy has one vote and, on a poll, one vote for each Ordinary Share of which he is a holder.
- (d) On a return of assets in a winding up or the repayment of capital a liquidator may, with the sanction of an extraordinary resolution of the Company, divide amongst the holders of the Company's Shares (*in specie* or in kind) the whole or any part of the assets of the Company, and may, with the like sanction, determine how such division is to be carried out.
- (e) The Ordinary Shares confer upon their holders the right to participate in any profits which the Company may from time to time determine to distribute in respect of any financial period.
- (f) Subject to the provisions of the Act, and if the profits of the Company justify such payments, the Directors may declare and pay interim dividends on shares of any class of such amounts as and when they think fit. All dividends are apportioned and paid *pro rata* according to the amounts paid on the shares. No dividend or other moneys payable on or in respect of a share will bear interest as against the Company. The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply them towards the satisfaction of the debts, liabilities or engagements in respect of a lien. A dividend may be retained if a shareholder has failed to comply with the statutory disclosure requirements of the Act. Any dividend unclaimed for twelve years will be forfeited and revert to the Company.

- (g) All or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting the quorum is two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

6. Option

By a deed dated 27 February 1998, the Company granted Robert Peel an option to subscribe for 250,000 Ordinary Shares at a price of 25p per share, 250,000 Ordinary Shares at a price of 50p per share, 250,000 Ordinary Shares at a price of 75p per share and 250,000 Ordinary Shares at a price of 100p per share. Such option can be exercised in whole or in part at any time between 27 February 2001 and 26 February 2008.

Exercise is by notice in writing lodged at the Company's registered office accompanied by a cheque or bankers' draft for the aggregate subscription moneys. The Company is obliged to allot the appropriate number of Ordinary Shares within 30 days of receiving such notice.

If at any time either (a) a general offer is made to acquire all the issued shares of the Company or the part thereof which is not already owned by the offeror and/or any company controlled by the offeror and such offer has become or been declared unconditional, or (b) any scheme of arrangement shall become effective whereby more than 50 per cent. of the issued shares of the Company carrying a right to vote in general meetings of the Company shall become vested in another person or in any combination of persons acting in concert:

- (i) provided that the option remains exercisable the optionholder may at any time within six months thereafter exercise this option (either in whole or in part); and
- (ii) the Company shall endeavour to procure that the offeror shall offer to acquire any shares which are allotted to the optionholder pursuant to the exercise of this option upon the same terms as those upon which the shares were acquired by the offeror pursuant to the said general offer or scheme of arrangement.

If an order is made or an effective resolution is passed on or before the final exercise date of the option for the voluntary winding up of the Company (except for the purpose of reconstruction or amalgamation) the optionholder will be treated as if he had exercised his option immediately before the passing of the resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received if he had actually held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the option. Subject to this, the option shall lapse on the liquidation of the Company.

7. Working capital

In the opinion of the Company, having made due and careful enquiry, the working capital available to the Company will, from the time that the Ordinary Shares are admitted to AIM, be sufficient for its present requirements.

8. Taxation

(a) Dividends

Under current UK tax legislation no tax will be withheld from dividend payments by the Company, but the Company will have to account to the Inland Revenue for advance corporation tax ("ACT") at a rate which, for the fiscal year 1997/1998 is currently equal to one quarter of the net dividend paid. Accordingly, the ACT attaching to a dividend currently equals 20 per cent. of the sum of the cash dividend plus ACT.

Liability to UK income tax is calculated on the aggregate amount of the dividend and the associated ACT. Currently, for individual shareholders resident for tax purposes in the UK, a tax credit of an amount equal to one fifth of the aggregate of the dividend and the ACT thereon will usually be available and it may be set off against their total income tax liability or, in appropriate cases, claimed as a cash repayment. This tax credit satisfies the liability to UK income tax at both the lower and the basic rate. UK resident individual shareholders who are liable to pay tax at the higher rate will have to account for higher rate tax on the aggregate of the dividend and associated tax credit. The tax credit

may be set off against the resulting tax liability. For these purposes, dividends are treated as the top slice of the individual's income.

It was announced in the Finance (No. 2) Act 1997 that with effect from 5 April 1999, the tax credit regime will change for individual shareholders. The rate of tax credits will be halved to 10 per cent., and tax credits will no longer be repayable to individual shareholders with no income tax liability.

After 5 April 1999, individual shareholders whose income is within the lower or basic rate bands will be liable to tax at 10 per cent. on their dividend income. The effect of this is that the tax credit attaching to the dividend will continue to satisfy an individual's income tax liability on UK dividends. Shareholders liable to higher rate tax after 5 April 1999 (currently at a rate of 40 per cent.) will have a further tax liability to income tax of 32.5 per cent. of the aggregate of the dividend and the 10 per cent. tax credit received.

A corporate shareholder resident for tax purposes in the UK will not be chargeable to UK corporation tax on any dividend received from the Company and will normally be able to treat any such dividend as franked investment income.

Since 2 July 1997, pension providers and most UK corporate shareholders (including authorised unit trusts and open-ended investment companies) have not been entitled to repayment of the tax credits attaching to dividends from UK companies.

Subject to certain exceptions for Commonwealth citizens, citizens of countries within the European Union, Iceland, Liechtenstein and Norway, residents of the Isle of Man or Channel Islands and certain others, a shareholder who is not resident for tax purposes in the UK is not generally entitled to the benefit of a tax credit in respect of any dividend received from the Company. Such a shareholder may be entitled to claim a payment of a proper proportion of such tax credit from the Inland Revenue but this will depend in general on the terms of any applicable double taxation convention or agreement between the UK and his country of residence for tax purposes. The Finance (No. 2) Act 1997 provides that the tax credit will be reduced to 10 per cent. of the amount of each dividend plus the tax credit. Any such shareholder should consult his tax adviser as to whether or not he is entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be available in the jurisdiction in which they are resident for tax purposes.

(b) *Stamp duty and stamp duty reserve tax*

Under current UK legislation relating to stamp duty and stamp duty reserve tax:

- (i) no liability to stamp duty or stamp duty reserve tax should arise on the allotment of Ordinary Shares by the Company under the Placing;
- (ii) a transfer or sale of Ordinary Shares otherwise than pursuant to the Placing will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration. Where an agreement to transfer such shares is not completed by a duly stamped instrument of transfer, a charge of stamp duty reserve tax (generally at the same rate) may arise; and
- (iii) special rules apply to market-makers, broker-dealers and certain other persons. Agreements to transfer shares to charities will not give rise to stamp duty reserve tax or stamp duty.

(c) *Reinvestment roll-over relief and Enterprise Investment Scheme*

Reinvestment roll-over relief

Under section 164A and subsequent sections of the Taxation of Chargeable Gains Act 1992, UK resident or ordinarily resident investors who have realised a capital gain on the disposal of an asset on or after 30 November 1993 may qualify for capital gains tax reinvestment relief ("Reinvestment roll-over relief"). Broadly, where an investor reinvests a chargeable gain on the disposal of an asset in ordinary shares in a qualifying company during a period beginning twelve months before the disposal and three years after it the gain is not chargeable. The gain is deferred since there is a corresponding reduction in the deductible acquisition cost for the new shares. The final tax effect will be felt on a subsequent disposal of those new shares, and may be affected by the circumstances at that time.

At the date of this document, the Directors believe that the Company satisfies the conditions which determine whether the Company, its activities and its shares are of a nature qualifying for Reinvestment roll-over relief.

In addition, investors should be aware that if any of the conditions for Reinvestment roll-over relief are breached, for example if the Ordinary Shares are admitted to the Official List of the London Stock Exchange, within a three year period from the date the shares are issued, all relief claimed can be withdrawn. Relief may also be withdrawn as a result of certain transactions involving investors and their close families and the Company. Investors should consult their professional advisers before claiming Reinvestment roll-over relief and before entering into any such transactions.

Enterprise Investment Scheme ("EIS")

Under section 289 and subsequent sections of the Income and Corporation Taxes Act 1988, an investor who subscribes for ordinary shares in a qualifying company is eligible for income tax relief at the lower rate (currently 20 per cent.) on his or her investment up to a limit of £100,000 in any tax year, provided that the total amount subscribed is £500 or more. Relief is not given to the extent that the amount raised through the issue of such shares exceeds £1.0 million.

At the date of this document, the Directors believe that the Company is a qualifying company for EIS purposes.

In addition, investors should be aware that any relief claimed can be withdrawn if the Company breaches any of the conditions for EIS relief broadly within a three year period from the date the shares are issued or the investors breach the conditions within a period commencing two years prior to the issue of shares (or incorporation of the Company if later) and ending five years after the shares are issued. In certain circumstances, EIS relief can be withdrawn from an investor as a result of transactions entered into by other parties.

The Company cannot undertake to conduct its activities in such a way so as to preserve the Reinvestment roll-over relief and EIS relief for investors.

The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. In particular, the statements do not take account of any changes which may be introduced in the forthcoming Budget on 17 March 1998. An investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

9. Placing Agreement

Under a placing and AIM admission agreement made between the Company, the Directors and Peel Hunt and dated 10 March 1998, Peel Hunt has agreed:

- (a) as agent of the Company, to procure subscribers for, or to the extent it does not procure subscribers, itself to subscribe for such Ordinary Shares as are not taken up by Placees under the Placing Agreement. The Placing Agreement provides, inter alia, for the payment by the Company to Peel Hunt of a commission of one half of one per cent. of a sum equal to the issue price multiplied by the number of new Ordinary Shares; and
- (b) on behalf of the Company, to submit to the London Stock Exchange an application for Admission, to act as the Company's nominated adviser and nominated broker in respect of such application and to use all reasonable endeavours to obtain Admission.

The obligations of the parties under the Placing Agreement are conditional upon certain conditions having been fulfilled (or waived by Peel Hunt) by 9.00 a.m. on 19 March 1998, or such later date as may be agreed by Peel Hunt and the Company. The agreement contains certain representations and warranties by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Company, its business and the Acquisition. Under the Placing Agreement and conditional upon Admission, the Company shall pay to Peel Hunt for its services a corporate finance fee and shall indemnify Peel Hunt against all costs and expenses in connection with the application. The Company undertakes to indemnify Peel Hunt against all losses, costs, charges and expenses which Peel Hunt may suffer or incur as a result of, occasioned by or attributable to the carrying out of its duties under the Placing Agreement.

10. Acquisition Agreement

Pursuant to the Acquisition Agreement, made between Paten Hotels Limited (the "Seller") and the Company, it was agreed that the Company would buy the hotel business carried on by the Seller under the trading name of "The Bull Hotel" from the property known as The Bull Hotel, Westgate, Peterborough (the "Property") together with a long lease of the Property (the "Lease").

The Acquisition Agreement provides for the purchase of the business, fixtures, fittings and contents of the Property for an aggregate sum of £400,000, and the assignment of the Lease (as described below). The Acquisition Agreement includes provision for the transfer of the employees of the business to the Company, and the apportionment of income and liabilities of the business from 12 March 1998, and includes warranties and indemnities from the Seller in relation to the business.

The Lease was assigned to the Company for a consideration of £3,450,000 on 12 March 1998 and is for a term commencing on 12 March 1998 and expiring on 27 September 2058, at an initial rent of £48,000 per annum, rising to £150,000 per annum on 29 September 2001. From 29 September 2005 the rent will increase to 8 per cent. of turnover from the Property with further upwards-only reviews on 29 September 2009 and every five years thereafter. The Lease includes the Hotel premises and car park and a retail shop known as 16a Westgate. The Lease includes the right to develop and use adjoining property included in the demise subject to landlord's consent. This may include a new bedroom block, turnover from which will not be subject to rent until the 29 September 2014 review. Turnover from any other new buildings outside the current hotel envelope will not be subject to rent until the second rent review date after construction unless such new buildings are used for non-bedroom purposes and such non-bedroom use attracts turnover away from other parts of the hotel. The Lease includes the usual covenants by the tenant to pay rent and rates and to repair and keep the Property decorated, clean and tidy, and includes a requirement not to make structural alterations without the prior written consent of the landlord, which is not to be unreasonably withheld or delayed. The Lease may not be assigned without prior written consent of the landlord, which consent is not to be unreasonably withheld or delayed, subject to the proposed assignee being of sufficient financial standing to comply with the tenant's covenants under the Lease. The landlord can insist on the outgoing tenant guaranteeing the obligations of his immediate assignee. The landlord can also insist on a rent deposit of six months' rent from the assignee where for the preceding two financial years the assignee's turnover was less than £2 million and its pre-tax profit less than twice the prevailing annual rent. The tenant can underlet the Property again subject to landlord's consent (not to be unreasonably withheld or delayed) but no more than three permitted undertenants are allowed at any one time (including of the 16a Westgate shop). All underlettings are to be on a rent calculated by reference to the turnover of the occupier with undertenants having financial year ends to match that of the Company save that subject to meeting certain specified criteria the 16a Westgate shop and an area inside the Hotel not exceeding 200 sq. ft. can instead be sublet on an open market rent basis.

The Property is subject to a first legal charge in favour of the Company's bankers, and the whole of the business and assets, the subject of the Acquisition Agreement, are subject to a debenture granted by the Company to its bankers.

11. Other information

- (a) The expenses of the Placing and Admission are estimated at £32,000, excluding recoverable VAT, and are payable by the Company.
- (b) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the Public Offers of Securities Regulations 1995 is £400,000 made up as follows:
 - (i) purchase price of property - £nil;
 - (ii) preliminary expenses - £76,000, excluding recoverable VAT, comprising the expenses referred to in (a) above and the costs of the Acquisition;
 - (iii) repayment of any moneys borrowed - £nil; and
 - (iv) working capital - £324,000.
- (c) Copies of this document will be available to the public free of charge from the registered office of the Company, at 62 Threadneedle Street, London EC2R 8HP, during normal office hours, Saturdays and Sundays excepted, from the date of this document until a date 14 days following Admission.

12 March 1998

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