THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take or the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. An investment in the Company may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. You should be aware that an investment in the Company includes a high degree of risk and prospective investors should read the whole of the text of this document and should carefully consider the section entitled "Risk Factors" in Part II of this document before taking any action.

This document comprises a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended). A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of those Regulations.

The Directors of the Company 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 are no other facts the omission of which would affect the import of such information. All the Directors accept responsibility accordingly. In connection with the Prospectus and the Placing, no person is authorised to give any information or make any representation other than as contained in this Prospectus.

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange. Admission to trading on AIM in respect of all the issued Ordinary Shares of 0.5p each is expected to become effective and dealings in such shares to commence on 17 December 2004.

Intellego Holdings Plc

(Incorporated on 23 August 2004 in England and Wales under the Companies Act 1985 No. 5212388)

Placing of 15,300,000 new Ordinary Shares of 0.5p each at a price of 4.25p per share

and

Admission to trading on AIM

Nominated Adviser — BEAUMONT CORNISH Limited

Broker — HB corporate

Share capital immediately following the Placing and on Admission

Authorised Amount	Authorised Number		Issued and fully paid Amount	Issued and fully paid Number
£500,000	100,000,000	Ordinary Shares of 0.5p each	£176,500	35,300,000

All the Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Beaumont Cornish Limited, which is authorised and regulated by the Financial Services Authority, is acting as the Nominated Adviser exclusively for Intellego Holdings Plc for the purposes of the AIM Rules. Its responsibilities as Intellego Holdings Plc's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Intellego Holdings Plc or any Director. HB-corporate, which is authorised and regulated by the Financial Services Authority, is acting as Broker and is acting exclusively for Intellego Holdings Plc in connection with the Placing. Neither Beaumont Cornish Limited nor HB-corporate has authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Beaumont Cornish Limited or HB-corporate for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and the Directors are solely responsible.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Ordinary Shares admitted to AIM and dealings commence	17 December 2004
CREST accounts credited	17 December 2004
Definitive share certificates dispatched	24 December 2004

PLACING STATISTICS

Placing Price per Ordinary Share	4.25p
Number of Ordinary Shares to be issued pursuant to the Placing	15,300,000
Percentage of enlarged issued share capital to be placed	43.3%
Gross proceeds of the Placing	£650,250
Market capitalisation on Admission at the Placing Price	£1,500,250

FORWARD LOOKING STATEMENTS

This document contains forward looking statements. These statements relate to the Group's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I and II of this Document.

The forward-looking statements in this Document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Group are specifically described in Part II of this Document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this Document. Neither the Directors nor Holdings undertake any obligation to update forward-looking statements or Risk Factors other than as required by the POS Regulations, the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

THIS DOCUMENT SHOULD BE READ IN ITS ENTIRETY.
IN PARTICULAR, YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" IN PART II OF THIS DOCUMENT.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Reginald Joseph Couzens – *Non-Executive Chairman* Edward Alan Arnett – *Chief Executive Officer* Andrew Lionel Green – *Chief Operating Officer* Christopher James Saltrick FCA – *Finance Director* Angus George Patrick Forrest – *Non-Executive Director* *all of:* Teddington Studios Broom Road Teddington Middlesex TW11 9NT
Company Secretary	Christopher James Saltrick, FCA
Registered Office	The White Cottage 19 West Street Epsom Surrey KT18 7BS
Nominated Adviser	Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB
Broker	HB-corporate 40 Marsh Wall Docklands London E14 9TP
Solicitors to the Company	Quastels Avery Midgen 74 Wimpole Street London W1G 9RR
Solicitors to the Placing	Wedlake Bell 52 Bedford Row London WC1R 4LR
Auditors and Reporting Accountants	Audit Assure 82 St John Street London EC1M 4JN
Reporting Accountants	Vantis Corporate Finance Limited 82 St John Street London EC1M 4JN
Bankers	Lloyds TSB Bank plc 17 Heath Road Twickenham Middlesex TW1 4AW
Registrars	Computershare Investor Services PLC P O Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

DEFINITIONS

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

"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	The rules of the London Stock Exchange governing admission to, and operation of, AIM
"Act"	The Companies Act 1985, as amended
"Acquisition" or "Acquisition Agreement"	acquisition of Intellego Systems Limited by Intellego Holdings plc
"Admission"	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Articles"	The Articles of Association of the Company
"Beaumont Cornish" or "BCL"	Beaumont Cornish Limited, which is authorised and regulated by the Financial Services Authority
"Board"	the directors of Holdings
"Certified" or "certificated form"	A share or other security which is not in uncertificated form
"Company"	Depending on the context, Holdings or Intellego
"CREST"	the computerised settlement system to facilitate the transfer of the title of shares in uncertificated form, operated by CRESTCo Limited
"Directors"	the directors of Holdings or Intellego, depending on the context
"Document" or "Prospectus"	This document
"EIS Funds"	Investment funds approved by the Inland Revenue under S.311 ICTA and designed to enable individual investors to invest in ordinary shares of companies which qualify for the Enterprise Investment Scheme and which are selected by the managers of the funds
"FSA"	The Financial Services Authority
"FSMA"	The Financial Services and Markets Act 2000
"Group"	Holdings and Intellego
"Holdings"	Intellego Holdings Plc (company registration No. 5212388)
"HB-corporate"	a trading division of Hoodless Brennan and Partners Plc, which is authorised and regulated by the FSA
"Intellego"	Intellego Systems Limited (company registration no. 04616937), a wholly owned subsidiary of Holdings
"London Stock Exchange"	London Stock Exchange Plc
"Model Code"	the model code on directors' dealings in securities published by the UK Listing Authority
"Money Laundering Regs"	The Money Laundering Regulations 2003
"Official List"	The Official List of the UK Listing Authority
"Ordinary Shares"	Ordinary shares of 0.5p each in Holdings
"Placing"	the conditional placing by HB-corporate of the Placing Shares at the Placing Price, pursuant to the Placing Agreement

"Placing Agreement"	the conditional agreement dated 13 December 2004 between Holdings (1), the Directors (2), and HB-corporate (3) relating to the Placing, details of which are set out in paragraph 10.2 in Part IV of this document
"Placing Price"	4.25p per Placing Share
"Placing Shares"	the 15,300,000 new Ordinary Shares in the capital of Holdings to be issued in connection with the Placing
"POS Regulations"	The Public Offers of Securities Regulations 1995 (as amended)
"Shareholders"	The persons who are registered as the holders of Ordinary Shares
"Share Option Scheme"	the Enterprise Management Incentive Scheme 2004, of which details are set out at paragraph 4 in Part IV of this document
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	The Financial Services Authority as the competent authority for listing in the UK
"Warrants"	Warrants to subscribe for Ordinary Shares of which further details are set out in paragraph 5 in Part IV of this document
"XStream"	XStream Software Inc., the principal supplier of software resold by Intellego

PART 1

INFORMATION ON INTELLEGO

1. INTRODUCTION

Intellego is a work force Training and Support Services business and retailer of e-Learning computer software. Intellego's solutions are based principally upon a suite of award-winning software technologies, which are available exclusively in the UK and Ireland from Intellego.

Intellego aims to provide its solutions predominantly to large commercial and governmental organisations (who, usually, employ large workforces and often already have a commitment to or experience of using e-Learning successfully within their organisations). Intellego aims to deliver solutions that enable such organisations to develop, in-house, their own e-Learning courses and other training materials such as competency tests (workforce competency measurement), thereby extending their usage of e-Learning into proprietary subject matter areas, with the objective of aligning workforce training more closely to operational need.

Intellego provides solutions to facilitate in-house e-learning on both IT-related projects (such as enterprise software applications) as well as in non-IT areas (such as regulatory compliance training). Its prime focus is on the former, where its solutions enable organisations to develop their own web-based materials for training their workforce to take full advantage of complex, bespoke enterprise software applications, such as those provided by Oracle, SAP and Siebel. The business case proposed by Intellego is the potential for reducing the risk of a failed enterprise software implementation due to inadequate or inappropriate training and, longer-term, the opportunity to reduce the cost of systems upgrade projects and ongoing user support.

The power of the majority of Intellego's solutions is derived from their utilisation of programming-free technology. This means client organisations can exploit the skills of their own software systems and business process experts without also relying on separate courseware authors, trained in web-programming software (who may also be third-party providers). This has the potential to simplify, save time and thereby reduce costs in the courseware development process. Examples of training materials that can be produced using Intellego's solutions are:

- E-learning courses based upon software simulations that replicate exactly the user's on-screen view of their operational software systems.
- Skills assessments that establish real-world software user competence, measuring skills gaps and the effectiveness of training.
- In-application support; software user guidance comprising step-by-step instructions or software simulations accessible by the user at the moment of need whilst working in the organisation's software systems.

Alongside the undertaking described directly above, (relating to the training requirements attendant to e-Business and large enterprise software deployments) the solutions provided by Intellego may also be applied to meet the requirements of organisations that wish to develop proprietary e-Learning courses, tests and assessments in non-IT areas such as:

- Product information and demonstrations
- Internal policies and procedures etc.
- Regulatory compliance
- Helpdesk support

In addition to the products sourced from third-party vendors which are incorporated in the solutions described above, Intellego intends, subject to confirmed customer orders, to accelerate the development of its own existing training management and analytics platform software ("TMAP") in respect of which a patent application is intended to be made which aims to address the specific requirements of student/customer relationship management of commercial training businesses. This will assist Intellego in developing its own niche market intellectual property and related services capability.

A report by International Data Corporation, dated 21 January 2003, expected Western Europe to be the fastest growing market in the world for corporate e-Learning, increasing its revenues at a compound annual growth rate of 97 per cent. from 1999 to 2004. This market growth would appear to be being driven by companies switching away from more expensive classroom based training and relying more upon the increasingly pervasive nature of the Internet and Web-based technologies for communication in businesses and homes.

Holdings has, under the Placing, raised £650,250 (before expenses) to fund expansion and working capital for the further development of Intellego.

2. HISTORY

Intellego was set up in December 2002 by Edward Arnett and Andy Green and commenced trading in February 2003. Mr Arnett and Mr Green have, between them, more than 25 years experience as senior executives in the market place for training professional IT staff, e-Learning and courseware publishing.

On Admission, Mr Arnett and Mr Green will hold in aggregate 20,000,000 Ordinary Shares representing 56.66 per cent. of the issued share capital of the Company, in consideration for the sale by them, pursuant to the Acquisition Agreement of the entire issued share capital of Intellego to Holdings.

3. THE BUSINESS

(a) Solutions and Services

Intellego aims to integrate the products of selected, award-winning and/or leading e-Learning software providers with the objective of providing training solutions which accurately address client business needs. Intellego's strategy is to distribute these software products, where possible on an exclusive basis or as a Master Reseller for its suppliers. The intent behind this strategy is to provide focus and build related technical services revenue with the overall objective of increasing Intellego's competitive advantage.

Intellego has developed a solutions portfolio based upon the combined experience of the Directors. In the Directors' opinion, Intellego's portfolio of solutions incorporates a greater breadth of solutions than its main competitors in the e-Learning market place. The solutions available from Intellego are based upon one or more of the following types of product:-

Software Simulation Authoring Tools and General e-Learning content Authoring Tools – software tools which aim to replicate the look and behaviour of "Windows" or Web-Based applications in order to facilitate the building of e-Learning content that is specific to any software process or procedure and/or software tools which aim to enable organisations quickly to build multi-media e-Learning materials, for all other non-IT subject matter areas.

Examination and Assessment Authoring Tools – software tools for the authoring of tests, further segmented into; (a) "Cognitive" testing, which aims to determine knowledge or understanding and (b) "Performance-based" or "Psychomotor" testing, which aims to determine software user competence.

In Application Performance Support Authoring Tools – software tools and viewers (media players) which aim to enable e-Learning and user guidance to be delivered to the learner alongside an operational software application, on demand.

Learning Management Systems ("LMS") and Learning Content Management Systems ("LCMS") – software solutions for the deployment and tracking of e-Learning content as well as the management and administration of training activities, typically encompassing student and resources management and reporting. These software solutions also aim to provide an overall student performance and return on investment measurement (Training Analytics) solution.

Learner Collaboration Platforms – Web-based framework technologies which aim to bring learners, subject matter experts and the related course materials together for learning events, over the Internet or Intranet/Extranet with the objective of enabling participation in knowledge-based projects in an interactive manner rendering face to face meetings (and travel) unnecessary.

Generic e-Learning materials and paper-based courseware – General IT and Business Skills training courseware is often amalgamated into an enterprise e-Learning solution to exist alongside custom/proprietary content. This additional courseware is usually provided by Intellego as a solution enhancement.

Most e-Learning solutions provided by Intellego to its clients include the provision of related technical services, usually comprising: one or more product specific training course, product maintenance (software upgrades and updates), technical support and implementation consultancy. In addition to the services described above Intellego provides content authoring services to augment clients' in-house capability.

The Directors believe that in developing a reputation for the provision of high quality technical services and support surrounding the provision and integration of e-Learning technologies, Intellego's business model will benefit because:

- Gross margin is likely to be improved through the provision of high-value services.

- Technical services and support should ensure that the products are properly deployed and therefore effectively exploited by the user
- The life-time value of the customer is also potentially extended via repeatable annual product maintenance and technical support fees and ongoing training for content authors.
- Technical expertise may be applied onto new software solutions from existing and new suppliers, thereby reducing risk to the business and providing opportunities for the expansion of Intellego.

The lead software supplier to Intellego is XStream, a company based in Ottawa, Canada, which has further product development operations in Bangalore, India. XStream is the developer of a range of multiple award-winning, programming-free e-Learning content development tools. Established in 1998, XStream has provided e-Learning solutions to numerous major Canadian and US based organisations, including Oracle, Cognos, the US Army, and General Motors Acceptance Corporation. Intellego has recently renewed its exclusive Reseller Agreement with XStream covering the United Kingdom and Ireland for two years commencing 1 July 2004.

The Directors intend to develop Intellego as a service-based e-Learning solutions provider that principally addresses the training needs attendant on e-Business and large enterprise software deployments, with the objective of becoming the UK market leader in this field.

(b) **The Market**

In addition to the more general growth forecast for the worldwide e-Learning market, (covered in Section 1 above) the Directors are of the opinion that the following more specific growth forecasts may be considered relevant when assessing the growth potential of Intellego:

Bersin Associates (a US based e-Learning strategy commentator) highlights in their study "Rapid e-Learning: Market, Tools, Techniques and Best Practices for Building e-Learning Programs in Weeks" (published August 2004) rapid e-Learning authoring tools as a particularly high growth market enjoying an estimated 80 per cent. growth per year with an expectation that by 2006 it will comprise 50 per cent. of the e-Learning spend. The Directors expect that within the rapid e-Learning authoring tools market one of the key applications for the future will be software simulation, which appears likely to flow from the requirement to drive more effective usage (and consequent return on investment) from costly bespoke e-Business applications.

As organisations increase their dependence on e-Learning, the challenges of managing, tracking and providing activity reporting and analysis on large libraries of courses (generic and proprietary) appear likely to become more testing. These operational tasks are addressed by LMS and LCMS. Bersin Associates report entitled "Learning Management Systems 2004" estimates the US Market to be growing at 16 per cent. in 2004/5. The Directors consider that the UK market is likely to be growing at least as quickly.

In the opinion of the Directors, the demand for the products provided by Intellego is driven by two principal factors:

- An apparent dearth of e-Learning materials specific to highly customised and complex enterprise e-Business software suites such as those supplied by vendors like Oracle, SAP, Siebel and others; and
- The growing need of commercially accountable management to understand, in a quantitative sense, the activity and financial metrics surrounding training, and in a qualitative sense the improvements in performance achieved.

The Directors consider that the supply side of the e-Learning tools and related services market in the UK is fragmented, consisting of many small reseller organisations and specialist training service providers, some of whom also provide classroom-based services. This suggests that in due course acquisition opportunities will emerge. The Directors have experience in identifying suitable targets, structuring acquisitions and integrating such acquisitions successfully.

(c) **Customers**

Intellego targets mainly large organisations, which in the opinion of the Directors are more likely to invest in complex enterprise software solutions and in respect of which it is probable that such solutions will be made available to hundreds or even thousands of employees. The size of such workforces would suggest that by adopting an e-Learning approach to training, cost savings will be available to the employing organisation when compared with classroom based training.

In its first year of operation, Intellego secured business from 48 different organisations, spread across a broad range of market sectors, such as local government, food drink and tobacco, telecommunications, banking insurance and finance and support services. Among the clients secured in these market sectors are:

- Bolton Metropolitan Borough Council
- Securicor
- Europ Assistance
- Whitbread
- O2
- Reuters

In its first year of trading (to 2 April 2004) no single client represented more than 7 per cent. of Intellego's revenue.

(d) **Competition**

The Directors believe that the main competition Intellego faces currently emanates from two sources:

e-Learning Custom Build Houses

These organisations seek to fulfil the requirements of customers who have insufficient internal expertise to develop materials in-house. The custom builder is likely to perpetuate the myth that content development is a complex art. Intellego combats this myth because its solutions are based upon 100 per cent. programming-free technology, which enables customers to use non-technical staff quickly and easily to develop proprietary content. Intellego has the potential to realise services revenue from training and supporting the client organisation and, where necessary, filling gaps in the organisation's development resource and still provide an overall cost-saving to the client.

Other vendors of tools

The Directors' research suggests that there are approximately 25 other providers of e-Learning tools operating in the UK market either directly or via reseller channels. However, in the opinion of the Directors, the solutions portfolio provided by Intellego (principally derived from XStream) has sufficient breadth and depth to enable it to compete effectively in its target markets. For example, RapidBuilder (XStream's main product which is a multiple award-winning technology) can produce, in a single file, a software simulation which may be delivered to the learner in multiple modes, including an e-Learning course, a paper-based course, a performance-based assessment and as in-application guidance.

With the benefit of knowledge regarding the ongoing product development plans of XStream and in the context of the above, the Directors believe that Intellego is likely to be able to continue to compete effectively in its chosen markets and differentiate itself from the competition by offering a complete solution that incorporates software from, where appropriate, more than one vendor, providing the potential for greater flexibility in meeting customers' requirements.

4. DIRECTORS AND STAFF

(a) **Directors**

Michael Couzens, Aged 57 – *Non Executive Chairman*

Michael Couzens started his working career in 1971 as a survey researcher at the London School of Economics and lecturer in computing at the University of London's Institute of Education. In 1977, Mr Couzens commenced his commercial career in the IT industry joining Wang UK. From 1982 until 1991, Mr Couzens held sales and marketing directorship roles with NCR and Philips Electronics. In 1991, he joined the Intel Corporation as European Marketing Director with responsibility for the development of the Intel Inside brand. From 1996 to 2002, Mr Couzens was Managing Director Corporate Communications and Training (Europe, Middle East and Africa) for Cisco Systems, with executive responsibility for championing e-Learning. More recently, Mr Couzens has worked at director level for Centrica plc on divestment and turnaround projects. Mr Couzens holds a Bachelor of Sciences degree in Psychology and Statistics, a teaching qualification in mathematics and a Master of Sciences degree in Computing and Statistics.

Edward Arnett, Aged 50 – *Chief Executive Officer*

Edward Arnett has a background in general management, company turnaround and acquisition-led growth. After Army service Mr Arnett joined Unilever as a management trainee where, following the completion of his training, he held various marketing and general management positions both in the UK and overseas. In 1985, Mr Arnett joined the Inmac Corporation as Sales Manager and was subsequently appointed General Manager. In 1993, he joined the Azlan Group plc (upon its admission to the Official List of the London Stock Exchange) to lead the development of its information technology training activities. At Azlan, he held various Director and Managing Director roles including taking responsibility for the pan-European training business. From 1998 to 2001, Mr Arnett was Group Managing Director of InterQuad Group Limited where in 1999 he successfully led a Management Buy-in. Prior to founding Intellego (with Andy Green), Mr Arnett held a senior role with Element K LLC a leading international e-Learning company and courseware publisher.

Andy Green, Aged 38 – *Chief Operating Officer*

Andy Green has a business background spent entirely in the information technology sector, geared to business start-ups and early phase customer acquisition. Mr Green's early sales management career was spent with NCR. In 1996, (as its Sales Director) he completed the admission to OFEX for Global Communications Group plc, a producer of IT and business skills training videos. In 2001, Mr Green joined Element K as International Director. In this role, Mr Green developed, from a greenfield start-up, Element K's European, Middle Eastern and African sales operation. Mr Green holds a Bachelor of Sciences degree in Business Information Systems.

Christopher Saltrick FCA, Age 48 – *Finance Director*

Christopher Saltrick qualified as a chartered accountant with Morgan Brown Spofforth in 1979. Mr Saltrick is currently Managing Partner of Saltrick and Saltrick, a firm of Chartered Accountants based in Fordingbridge, Hampshire. Mr Saltrick has agreed to serve as Finance Director and Company Secretary for twelve months on a part-time basis, renewable by mutual consent. A permanent full-time Finance Director will be recruited when the size and scope of the business justifies it.

Angus Forrest, Age 51 – *Non-Executive Director*

Angus Forrest is Chief Executive of Billam Plc, an AIM quoted investment company which specialises in business-to-business sales driven companies. He co-founded Billam in 2000 and has been responsible for much of the drive to develop the commercialisation of the business, by building a portfolio of investments, four of which have achieved Initial Public Offerings. Mr Forrest commenced his business career in 1971 with Ernst and Young. Since 1980, Mr Forrest has been involved in small company investment, initially with Venture Capital Report Limited. He then founded Talisman Ventures Limited. As a director of Talisman, he managed investments in a venture capital fund's portfolio. Mr Forrest holds a Bachelor of Arts degree in Business Organisation.

(b) **Staff**

At present Intellego has 5 members of staff employed at its offices in Teddington, Middlesex. Four of these (including Andy Green and Edward Arnett) are sales staff. The other is a full time Technical Manager.

Share Option Scheme

To assist in the recruitment, retention and incentivisation of high quality employees the Company has (subject to Admission) adopted a Share Option Scheme, under the rules applicable to Inland Revenue approved Enterprise Management Incentive Schemes. A summary of the terms of the Share Option Scheme is set out in paragraph 4 of Part IV of this document.

5. FINANCIAL RECORD

As noted in the Accountants' Reports set out in Part III of this document, Intellego ended its first period, (fourteen months) of trading on 2 April 2004.

Intellego incurred operating losses in the first eight months of operation (February to September 2003) due in the main to the operating cost burden attendant on a start-up business. In this early phase, the emphasis of operating expenditure was directed towards sales and marketing with the objective of building the sales order pipeline and awareness among potential clients. During the second half of the first period of trading, turnover grew demonstrably, quarter on quarter, as Intellego refined its sales and marketing model. Operating losses were curtailed in the third quarter (October through December 2003) as Intellego was able to normalise its operating cost base and enjoy the positive impact of increased turnover. In the fourth and final quarter of its first period of operations (January to 2 April 2004) Intellego continued to achieve operational profitability. Therefore, as set out in the Accountants' Report in Section 2 of Part III of this document, Intellego reported turnover of £278,151 and a loss on ordinary activities before taxation of £66,828 for the period to 2 April 2004.

Prospective investors should read the whole of this document and not merely rely on the summarised information above.

6. CURRENT TRADING AND PROSPECTS

At the latest practicable date prior to the publication of this document, the Directors can report that confirmed orders received in the first half of the current financial year (six months April to September 2004) have resulted in sales growth of more than 100 per cent. when compared with the first half of the previous period (eight months ended 30 September 2003). Whilst it is pleasing that, (as mentioned in section 5 above) operational profitability was achieved in the last six months of the period ending 2 April 2004, which augurs well for the future, Intellego has, during the first half of the current financial year, increased its operating expenditure in the areas of sales, marketing and technical services delivery. This expenditure has been incurred to put Intellego in position to capitalise upon its increasing sales pipeline.

The Directors believe that the combination of confirmed orders received since 1 October 2004 which in particular include an expansion of the relationship with Securicor, DHL and Reuters plus qualified sales prospects which have reached the stage of a written proposal, will enable the business to continue to secure year on year sales growth that is ahead of the more general growth forecasts for the market sectors in which Intellego operates. The Directors also anticipate that the business will continue to experience a seasonal effect in its sales pattern as customers are often reluctant to commit to new projects before the summer holiday season when key project staff are away. Having regard to this, it is the view of the Directors that the emphasis of sales in any financial year will be weighted towards the second half (i.e. the period October to March).

The Directors consider that the supply side of the e-Learning tools and related services market in the UK is fragmented, consisting of many small reseller organisations and specialist training service providers, some of whom also provide classroom based services. This suggests that in due course acquisition opportunities will emerge.

Although the Directors believe that increasing its sales and marketing activities, and a stronger capital base will enable the Group to be even more effective in achieving organic growth by securing and expanding within new large commercial and governmental clients, the Group will also seek to accelerate its growth more rapidly through acquisitions which underpin its existing high gross margin business model. In the Directors' opinion, such acquisition targets are likely to have a strong technical services capability (in the e-Learning market) and a client base that is similar to Intellego's in terms of size and cross section.

The Directors, who have experience in identifying suitable acquisition targets, have already identified within the UK and other Northern European countries several businesses whose technical skills and product portfolio would enable Intellego, through acquisition, to grow its business more quickly.

The Directors also have experience in structuring acquisitions and integrating such acquisitions successfully.

The Directors believe that with the benefit of a stronger capital base, Intellego will thrive as an independent business and the increasing reliance by larger organisations on training delivered using web-based solutions will give the Group significant opportunities for expansion and development, including by way of acquisition if suitable opportunities are identified.

7. FINANCIAL REPORTING

The Group intends to apply UK GAAP for the time being, and the financial information presented in Part III has been presented in accordance with UK GAAP.

Unaudited interim results for Intellego for the period ended 2 October 2004, a period prior to its acquisition by Holdings, which took place on 18 October 2004 will, in accordance with the AIM Rules, be published by 31 December 2004.

The first consolidated accounts for the Group will be those for the year ending 2 April 2005. Merger accounting will be used to account for the Acquisition as it satisfies the definition of a group reconstruction under FRS 6. The accounts for the year ending 2 April 2005 will therefore be presented as if the Group had existed for the entire period, notwithstanding that the Acquisition did not take place until part way through the period.

It is likely that the Group will prepare its accounts in accordance with International Accounting Standards for the first time in respect of the financial year ending 2 April 2008.

8. USE OF PROCEEDS FROM THE PLACING AND REASONS FOR SEEKING ADMISSION

The Board intends to use the net proceeds of the Placing (which are estimated to be £500,000) for working capital to further the development of the business.

The directors believe that Holdings and Intellego will, as a result of Admission, benefit also from the following:

- *availability of quoted shares* – the issue of shares admitted to trading on AIM as a consideration for an acquisition will be more attractive to potential vendors of companies than shares in a company which are not traded on any stock exchange.
- *raised corporate profile* – the Directors believe that achieving the status of being a company whose shares have been admitted to AIM will raise the profile of Holdings, and also Intellego, with customers and suppliers.
- *incentivisation of key staff* – the opportunity to own and retain shares and incentivise future staff through the use of share options.
- *advantages for shareholders* – shareholders and investors generally will have access to a regulated market in which to buy and sell shares in Holdings.

9. DETAILS OF THE PLACING

Holdings is proposing to raise £650,250 (before expenses) by the placing of 15,300,000 new Ordinary Shares at the Placing Price of 4.25p per share. The Placing Shares will represent 43.34 per cent. of the issued share capital of Holdings on Admission and will, following allotment, rank *pari passu* in all respects with the existing Ordinary Shares in issue including the rights to dividends and other distributions declared, paid or made after the date of issue. The Placing is conditional, *inter alia*, on Admission becoming effective on or before 8.00am on 17 December 2004 (or such later date as may be agreed between the Broker and the Company).

HB-corporate has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission to use its reasonable endeavours to place the Placing Shares at the Placing Price. The Placing is not being underwritten.

Further details of the Placing Agreement are set out in paragraph 10.2 of Part IV of this document.

10. DIVIDEND POLICY

It is the intention of the Board to seek capital growth. Accordingly, the Directors consider it is unlikely that the Company will pay a dividend in the immediate future, although this policy may be reviewed as the Group grows.

11. THE WARRANTS

The Board has agreed to issue to each of Beaumont Cornish, HB-corporate, Richard Adams (the Company's technical manager), Michael Couzens and Angus Forrest (respectively non-executive Chairman and non-executive Director), in connection with the Placing, Warrants in respect of a total of 4,053,176 Ordinary Shares representing a total of 11.48 per cent. of the issued Ordinary Shares following Admission. Further details of the terms of the Warrants are set out in paragraph 5 of Part IV of this document.

12. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Best Practice

The Directors recognise the need for sound corporate governance having regard to the size and nature of the business. The Directors intend that Holdings should develop policies and procedures which reflect the principles of good governance and the Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code").

The Directors will establish an Audit Committee and a Remuneration Committee. The Remuneration Committee, which will comprise Michael Couzens, Angus Forrest and Chris Saltrick, will determine the terms and conditions of service (including the remuneration) of the Executive Directors. The Audit Committee, which will comprise Michael Couzens, Angus Forrest and Chris Saltrick, will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of Holdings is properly measured and reported on and for reviewing reports from the auditors relating to accounting and internal controls.

Holdings does not intend to establish a Nomination Committee as it regards the appointment of directors (whether executive or non-executive) as a matter for consideration by the whole board.

Restrictions on Directors' Remuneration, and Directors' and relevant employees' dealings in Ordinary Shares.

Mr Arnett and Mr Green have entered into Service Agreements with Intellego which provide that there will be no increase in their basic salaries until 30 September 2006 unless, prior to that date, Intellego achieves sales growth on a quarterly cumulative basis of at least 100 per cent. Further details of Directors' remuneration are set out in paragraph 9 of Part IV of this document.

Holdings has adopted the Model Code for Directors' share dealings and will take all reasonable steps to ensure compliance by Directors and relevant employees.

In connection with the Placing, the Directors and relevant employees have undertaken that they and their connected persons will not dispose of Ordinary Shares which have been issued or are to be issued to them pursuant to Warrants for a period of 2 years (except for Angus Forrest for whom a period of 1 year applies) following Admission save in the event of an intervening court order, a takeover relating to the Ordinary Shares, execution of an irrevocable commitment to accept a general offer relating to the Ordinary Shares, or on the death of the Shareholder.

All these persons have also agreed to certain orderly market provisions for a further period of 12 months from cessation of these lock-in periods.

At Admission, the Directors will be interested in a total of 20,705,883 Ordinary Shares and a total of 941,176 Warrants, representing 58.66 per cent. of the enlarged issued share capital of Holdings and 23.22 per cent. of the Warrants.

Further details of the lock-in undertakings are set out in paragraph 10.11 of Part IV of this document.

13. ENTERPRISE INVESTMENT SCHEME ("EIS") AND VENTURE CAPITAL TRUSTS

Holdings has received confirmation from the Inland Revenue that the Placing Shares will rank as eligible shares for EIS purposes and will be a "qualifying holding" for the purposes of investment by Venture Capital Trusts ("VCT's").

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes, will be conditional, *inter alia*, on Holdings continuing to satisfy the requirements for a qualifying company for a period of three years from the date of the investor making his investment (under EIS) and, for VCT purposes, throughout the period the Placing Shares are held as a "qualifying investment".

Income tax relief, capital gains tax exemption, loss relief and capital gains tax deferral together comprise tax relief under the EIS legislation. Reliefs can only be claimed by a qualifying individual who subscribes for eligible shares in the qualifying company, save that capital gains tax deferral may also be claimed by certain trustees. An investor cannot claim relief in respect of any amount subscribed in excess of £200,000 in any tax year (this limit applies to the aggregate of all potentially eligible shares and not to each share issue), save that capital gains tax deferral may be claimed without limit. The minimum investment is £500 in any company in any tax year.

(a) *Income tax relief:* Qualifying individuals can credit an amount equal to tax at the lower rate on the amount subscribed for eligible shares against their total liability to income tax for the tax year in which the shares are issued. For the 2004/05 tax year the relief is obtained at the lower rate of 20 per cent. The relief is available against any UK tax liability irrespective of whether or not the investor is resident in the UK. The amount of relief given cannot exceed an individual's tax liability before other reliefs given by way of a discharge to tax.

(b) *Capital gains tax relief:* To the extent to which EIS income tax relief is available and not liable to be withdrawn, any capital gains accruing to the original investor on the disposal of his shares will be exempt from capital gains tax, provided that the shares have been held for at least three years

(c) *Loss relief:* If the original investor disposes of his shares at a loss, the net loss (after EIS income tax relief) may be set against other taxable income or chargeable gains, at the election of the investor, and at the then applicable marginal rate of tax.

(d) *Capital gains tax deferral:* The liability to capital gains tax arising on the disposal of any asset may be deferred by investing the gain in eligible shares. The investment must be made within the period beginning one year before and ending three years after the event which gives rise to the gain being deferred.

Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances. Whilst Holdings cannot guarantee that it will conduct its activities in a way designed to preserve EIS relief and to be a qualifying VCT investment, the Directors intend as far as possible that it will do so.

14. CREST

Holdings' Articles of Association permit it to issue shares in un-certificated form in accordance with the Uncertificated Securities Regulations 2001. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although, as CREST is a voluntary system a shareholder can continue dealing based on share certificates and stock transfer forms. Application has been made for the Ordinary Shares to be admitted to CREST upon Admission.

15. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this document. Potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company.

16. ADDITIONAL INFORMATION

Your attention is drawn to the information contained in the rest of this document, which contains further information on the Group.

PART II

RISK FACTORS

In addition to the other information contained in this document, the following risk factors should be carefully considered in evaluating whether to make an investment in Holdings.

The Directors consider the following risks and other factors to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in Holdings.

- The success of Holdings depends largely on the expertise of Edward Arnett, Andy Green and key employees. Whilst Holdings has entered into contractual arrangements with the aim of securing the services of Mr Arnett and Mr Green, the retention of their services is not guaranteed. The loss of the services of either or both of these executives could have a material adverse effect on Holdings' future.
- Intellego has many competitors, some of which may already have or may in the future gain access to greater resources than those of Intellego. Competitors may succeed in developing or gaining access to technologies and/or products that are more effective than those to which Intellego has access or subsequently develops. This could render Intellego's products obsolete or otherwise uncompetitive.
- The sector in which Intellego operates is competitive and there is no certainty that it will be able to achieve growth in sales or that the market segments that it intends to exploit can be exploited to the extent indicated.
- The Group is reliant on key suppliers (especially XStream under the terms of the Exclusive Reseller Agreement effective 1 July 2004) continuing their contractual obligations to the Group.
- The market for Intellego's products may not increase at the anticipated rates. If this is the case, results will be adversely affected.
- It may be necessary for Holdings to secure additional capital by way of the issue of further shares to progress through further stages of development. There can be no guarantee that such funding will be available to it.
- The Ordinary Shares will not be quoted on the official list of the UK Listing Authority. Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than their original investment or sustain a total loss of their investment. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the official list of the UK Listing Authority.
- Whilst the Directors believe that Holdings' application to join AIM will be accepted, admission to, and continued membership of AIM are entirely at the discretion of the London Stock Exchange.

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult an investment adviser authorised under the Financial Securities and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

PART III

FINANCIAL INFORMATION

Section 1

ACCOUNTANTS' REPORT ON INTELLEGO HOLDINGS PLC

Audit Assure
Chartered Accountants
82 St John St
London EC1M 4JN

13 December 2004

The Directors
Intellego Holdings Plc
Teddington Studios
Broom Road
Teddington
Middlesex
TW11 9NT

and

The Directors
Beaumont Cornish Limited
Georgian House
63 Coleman Street
London EC2R 5BB

Dear Sirs

Intellego Holdings Plc ("Holdings" or the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus (the "Prospectus") dated 13 December 2004 of Holdings.

Basis of preparation

The financial information set out below is based on financial information for the Company for the period from its date of incorporation on 23 August 2004 to 31 October 2004 and shows its state of affairs as at 31 October 2004. This financial information has been extracted from the financial records of the Company with no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The financial information in relation to Holdings as set out below is the responsibility of the directors of the Company (the "Directors"). The directors of Holdings are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report, 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.

We planned and performed our work so as to obtain all the information and explanations which we consider 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 Prospectus, a true and fair view of the state of affairs of Holdings as at 31 October 2004.

Consent

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

Financial information

The Company was incorporated and registered in England on 23 August 2004 with registered number 5212388 as a public company limited by shares with the name Intellego Holdings Plc. On 22 October 2004, it received a certificate issued under section 117 of the Companies Act 1985, entitling it to commence business.

On 18 October 2004, Holdings acquired the entire issued share capital of Intellego Systems Limited in consideration for the allotment of 99,998 ordinary shares of £1 each, fully paid, in Holdings to the shareholders of Intellego Systems Limited.

Holdings has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

Accounting policies

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

In the opinion of the Directors, merger relief under section 131 of the Companies Act 1985 applies to the shares issued in consideration for the acquisition of Intellego Systems Limited. No share premium account has been established on the issue of these shares and the investment in Intellego Systems Limited is recorded at the nominal value of the shares issued.

Balance sheet of Holdings at 31 October 2004

	Notes	£	£
Fixed assets			
Investment in subsidiary undertaking	2		99,998
Current assets			
Called up share capital not paid		2	
Net current assets			2
Net assets			**£100,000**
Capital and reserves			
Called up share capital	3		100,000
			£100,000

Notes to the financial information

1. ***Trading activity***

In the period covered by this report the company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid any dividends. There have been no transactions other than the allotment of shares described below and the acquisition of the shares in Intellego Systems Limited as described above and in note 2 below. Accordingly no profit and loss account information is presented in this report.

2. ***Investment in subsidiary undertaking***

Investment in Intellego Systems Limited, at nominal value of shares issued:	£99,998

The Company owns 100% of the issued share capital of Intellego Systems Limited. Financial information on Intellego Systems Limited is set out in Section 2 of Part III of this document

3. ***Share capital***

	At 31st October 2004
Authorised:	£
100,000 ordinary shares of £1 each	100,000
Allotted, called up and fully/partly paid:	
On incorporation – 2 ordinary shares of £1 each nil paid	2
On 18 October 2004 – 99,998 ordinary shares at par in consideration for the acquisition of Intellego Systems Limited	99,998
	100,000

Holdings was incorporated with an authorised share capital of £50,000, divided into 50,000 Ordinary Shares of £1 each. The authorised capital was increased to 100,000 Ordinary Shares of £1 each on 15 October 2004.

By a resolution passed on 13 December 2004 it was resolved conditional on admission to AIM to subdivide the share capital of the Company such that each £1 share was subdivided into 200 ordinary shares of 0.5 pence each and the authorised share capital was increased to £500,000.

Yours faithfully

Audit Assure
Chartered Accountants

PART III

Section 2

INTELLEGO SYSTEMS LIMITED
(FORMERLY DARKSTREAM LIMITED)

Audit Assure
82 St John Street
London
EC1M 4JN

13 December 2004

The Directors
Intellego Holdings Plc
Teddington Studios
Broom Road
Teddington
Middlesex
TW11 9NT

and

The Directors
Beaumont Cornish Limited
Georgian House
63 Coleman Street
London EC2R 5BB

Dear Sirs

Intellego Systems Limited ("Intellego" or the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus (the "Prospectus") dated 13 December 2004 of Intellego Holdings Plc ("Holdings").

Basis of preparation

The Company was incorporated on 13 December 2002 as Darkstream Limited. The name was changed on 7 January 2003 to Intellego Systems Limited. Trading commenced on 17 January 2003.

The financial information set out below comprises financial information for Intellego for the period from incorporation to 2 April 2004, and is based on the audited accounts of Intellego for the period, after making such adjustments as we considered necessary. The audited accounts were prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002). Certain additional financial information has been provided in this report. In particular, the cash flow statement has been prepared specifically for inclusion in the financial information.

Responsibility

The financial statements of Intellego are the responsibility of the directors who approve their issue.

The directors of Holdings are responsible for the contents of the Prospectus 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 accounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we consider 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 Prospectus dated 13 December 2004, a true and fair view of the state of affairs of Intellego as at 2 April 2004 and of its loss, cash flows and recognized gains and losses for the period then ended.

Consent

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

Accounting policies

Basis of accounting

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

Basis of preparation

The financial information is that of Intellego Systems Limited .

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts. Where training or support services are invoiced but not supplied by the period-end, the value of these services is recorded in creditors as deferred income.

Intangible fixed assets and amortisation

Acquired distribution rights are amortised to the profit and loss account over their estimated economic life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment – 20% straight line

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

PROFIT AND LOSS ACCOUNT

	Note	Period ended 2 April 2004 £
Turnover	1	278,151
Cost of sales		(118,960)
Gross Profit		159,191
Administrative expenses		(219,934)
Operating Loss	2	(60,743)
Interest receivable		149
Interest payable	5	(6,234)
Loss on Ordinary Activities before Taxation		(66,828)
Tax on loss on ordinary activities	6	–
Retained Loss for the Period		£(66,828)
Loss per Share		
– Basic and fully diluted	19	(7.93)p

All amounts relate to continuing operations.

There were no recognised gains and losses for 2004 other than those included in the profit and loss account.

BALANCE SHEET

	Note	2 April 2004 £	£
Fixed Assets			
Intangible fixed assets	7		28,025
Tangible fixed assets	8		26,457
			54,482
Current Assets			
Stocks	9	3,500	
Debtors	10	194,114	
Cash at bank and in hand		19,030	
		216,644	
Creditors: amounts falling due within one year	11	(192,810)	
Net Current Assets			23,834
Total Assets less Current Liabilities			78,316
Creditors: amounts falling due after more than one year	12		(45,144)
Net Assets			£33,172
Capital and Reserves			
Called up share capital	14		100,000
Profit and loss account			(66,828)
Equity Shareholders' Funds	15		£33,172

CASH FLOW STATEMENT

	Note	Period ended 2 April 2004 £
Net cash flow from operating activities	16	(109,847)
Returns on investments and servicing of finance	17	(6,085)
Capital expenditure and financial investment	17	(54,680)
Cash Outflow before Financing		(170,612)
Financing	17	131,243
Decrease in Cash in the Period		£(39,369)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 18)

For the period ended 2 April 2004

	Period ended 2 April 2004 £
Decrease in cash in the period	(39,369)
Cash inflow from decrease in debt and lease financing	(46,243)
New finance leases	(7,475)
Movement in Net Debt in the Period	(93,087)
Net funds at 17 January 2003	–
Net Debt at 2 April 2004	£(93,087)

NOTES ON THE FINANCIAL INFORMATION

1. ***Turnover***

The whole of the turnover and operating profit is attributable to the Company's principal activity.

All turnover arose within the United Kingdom.

2. ***Operating Loss***

The operating loss is stated after charging/(crediting):

	Period ended 2 April 2004 £
Amortisation of intangible fixed assets	1,475
Depreciation of tangible fixed assets:	
– owned by the company	4,698
– held under finance leases	1,500
Auditors' remuneration	1,000
Operating lease rentals:	
– other operating leases	25,490
Foreign exchange gains	(600)

3. ***Staff Costs***

Staff costs, including directors' remuneration, were as follows:

	Period ended 2 April 2004 £
Wages and salaries	105,310
Social security costs	9,814
	£115,124

The average monthly number of employees, including employees who are directors of Holdings, during the period was as follows:

	Period ended 2 April 2004 No.
Sales and technical	3

4. ***Directors' Remuneration***

The emoluments of persons who are directors of Holdings for services provided to Intellego in the period was as follows:

	Period ended 2 April 2004 £
Aggregate emoluments (including benefits in kind)	£27,400

No director had benefits accruing under long-term incentive schemes.

5. *Interest Payable*

	Period ended 2 April 2004 £
On bank loans and overdrafts	1,827
On other loans	3,289
On finance leases and hire purchase contracts	1,118
	£6,234

6. *Tax on loss on ordinary activities*

At 2 April 2004 the Company had tax losses carried forward, subject to the agreement of the Inland Revenue, of approximately £85,000 and there are other reversing timing differences, which would otherwise give rise to a deferred tax liability, of £18,000, resulting in net timing differences of £67,000. There is consequently an unprovided deferred tax asset of approximately £13,000.

7. *Intangible Fixed Assets*

	Distribution rights £
Cost	
Additions and at 2 April 2004	29,500
Amortisation	
Charge for the period and at 2 April 2004	1,475
Net book value	
At 2 April 2004	£28,025

In December 2003 the Company purchased distribution rights from Clarus Courseware Limited. The rights comprise the assignment of a Reseller Agreement giving access to the courseware library of NETg, a leading international training materials provider, thereby potentially incrementing and diversifying the revenue mix of Intellego. The final consideration payable was £29,500.

8. *Tangible Fixed Assets*

	Furniture, fittings and equipment £
Cost	
Additions and at 2 April 2004	32,655
Depreciation	
Charge for the period and at 2 April 2004	6,198
Net book value	
At 2 April 2004	£26,457

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2 April 2004 £
Furniture, fittings and equipment	£4,983

9. *Stocks*

	2 April 2004 £
Finished goods and goods for resale	£3,500

10. ***Debtors***

	2 April 2004 £
Trade debtors	156,178
Other debtors	2,224
Called up share capital not paid	15,000
Prepayments and accrued income	20,712
	£194,114

11. ***Creditors:*** *Amounts falling due within one year*

	2 April 2004 £
Bank loans and overdrafts	65,613
Net obligations under finance leases and hire purchase contracts	1,360
Trade creditors	45,820
Social security and other taxes	30,737
Other creditors	27,367
Deferred income	21,913
	£192,810

12. ***Creditors:*** *Amounts falling due after more than one year*

	2 April 2004 £
Bank loans	42,084
Net obligations under finance leases and hire purchase contracts	3,060
	£45,144

Included within the above are amounts falling due as follows:

	2 April 2004 £
Between one and two years	
Bank loans	7,214
Between two and five years	
Bank loans	21,643
Over five years	
Bank loans	13,226

Creditors include amounts not wholly repayable within 5 years as follows:

	2 April 2004 £
Repayable by instalments	£13,226

The loan is repayable by monthly instalments and carries interest at a rate of 3.5% over the base rate of Lloyds TSB plc.

12. ***Creditors:*** *Amounts falling due after more than one year (continued)*

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2 April 2004
	£
Between two and five years	£3,060

The loan is secured by way of a debenture over the Company's assets.

The finance lease liability is secured on the assets to which it relates.

13. ***Financial Instruments***

Intellego's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors, trade creditors etc., that arise directly from its operations. Trade debtors and creditors are not discussed further in this note.

It is Intellego's policy, and has been throughout the period covered by this report, that no trading in financial instruments shall be undertaken.

The main risks arising from its financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing each of these risks adopted during the period of the report are summarized below. These policies have remained unchanged throughout the period covered by the report.

Interest rate risk

Intellego finances its operations through a mixture of bank borrowings, including factoring loans, and equity capital. With the exception of certain small finance lease contracts, all borrowings are at floating rates of interest. It does not enter into any interest rate derivative transactions to manage interest rate risk.

Liquidity risk

Short-term flexibility is provided by the use of factoring loans. All eligible sales invoices are factored.

To assist with liquidity, certain of Intellego's borrowings are term loans, requiring repayment over seven years.

Foreign currency risk

Most of the training software purchased by Intellego for resale to UK customers is purchased from overseas suppliers. These suppliers invoice in US dollars. Intellego settles using spot exchange rates; no forward currency contracts are used.

Interest rate risk profile of financial assets and financial liabilities

Financial assets

Intellego has no financial assets other than short-term debtors and cash held on bank current account.

Financial liabilities

The interest rate profile of the group's financial liabilities, ignoring short-term creditors, was as follows (all borrowings in sterling):

Total	**Floating rate financial liabilities**	**Fixed rate financial liabilities**
£112,116	£107,696	£4,420

Fixed rate financial liabilities have an annual interest rate of 25.4%, which is fixed for 23 months from 2 April 2004.

The floating rate financial liabilities comprise factoring loans and bank borrowings that bear interest at rates between 2.75% and 3.5% above the lender's base rate.

Currency exposures

At 2 April 2004 Intellego had monetary liabilities that were not denominated in sterling of £45,820. These liabilities were denominated in US dollars.

13. ***Financial Instruments*** *(continued)*

Maturity of financial liabilities

The maturity profile of Intellego's financial liabilities at 2 April 2004, other than short-term creditors such as trade creditors and accruals, was as follows:

	£
In one year or less, or on demand	66,973
In more than one year but not more than two years	10,274
In more than two years but not more than five years	21,643
In more than five years	13,226
	£112,116

Borrowing facilities

Intellego had no undrawn borrowing facilities at 2 April 2004.

Fair values of financial assets and liabilities

There was no material difference between the fair values of financial assets and liabilities and their book values at 2 April 2004.

14. ***Share Capital***

	2 April 2004 £
Authorised	
1,250,000 Ordinary shares of 10p each	£125,000
Allotted, called up and fully paid	
1,000,000 Ordinary shares of 10p each	£100,000

The company allotted 850,000 ordinary shares on incorporation, for consideration of £0.10 each. A further 150,000 ordinary shares were allotted on 20 November 2003 for consideration of £0.10 each, which was called up but not paid by 2 April 2004. Payment has been received subsequent to the balance sheet date. On 31 October 2003 the Company granted an employee the right to enter into a share option agreement to subscribe for 85,000 ordinary shares at par between 4 October 2004 and 3 January 2005.

15. ***Reconciliation of Movement in Shareholders' Funds***

	2 April 2004 £
Loss for the period	(66,828)
Shares issued during the period	100,000
Closing shareholders' funds	£33,172

16. ***Net Cash Flow from Operating Activities***

	Period ended 2 April 2004 £
Operating loss	(60,743)
Amortisation of intangible fixed assets	1,475
Depreciation of tangible fixed assets	6,198
Increase in stocks	(3,500)
Increase in debtors	(179,116)
Increase in creditors	125,839
Net cash outflow from operating activities	£(109,847)

17. ***Analysis Of Cashflows For Headings Netted In The Cashflow Statement***

	Period ended 2 April 2004 £
Returns on Investments and Servicing of Finance	
Interest received	149
Interest paid	(5,116)
Hire purchase interest	(1,118)
Net Cash Outflow from Returns on Investments and Servicing of Finance	£(6,085)
Capital Expenditure and Financial Investment	
Purchase of intangible fixed assets	(29,500)
Purchase of tangible fixed assets	(25,180)
Net Cash Outflow from Capital Expenditure	£(54,680)

	Period ended 2 April 2004 £
Financing	
Issue of ordinary shares	85,000
New secured loans	49,298
Principal payment under finance lease	(3,055)
Net Cash Inflow from Financing	£131,243

18. ***Analysis of Changes in Net Debt***

	13 December 2002 £	Cash flow £	Other non-cash changes £	2 April 2004 £
Cash at bank and in hand:	–	19,030	–	19,030
Bank overdraft	–	(58,399)	–	(58,399)
	–	(39,369)	–	(39,369)
Debt:				
Finance leases	–	3,055	(7,475)	(4,420)
Debts due within one year	–	(49,298)	42,084	(7,214)
Debts falling due after more than one year	–	–	(42,084)	(42,084)
Net Debt	£–	£(85,612)	£(7,475)	£(93,087)

19. ***Earnings Per Share***

The calculation of loss per share is based on the loss on ordinary activities after taxation and 842,227 shares, being the weighted average number of shares in issue during the period.

There is no difference betwen basic and fully diluted earnings per share. The earnings per share figure is that shown under the capital structure subsisting in Intellego during the period and is not representative of the earnings per share that would be calculated under the capital structure that exists in Holdings.

20. ***Related Party Transactions***

In December 2003 the Company purchased distribution rights from Clarus Courseware Limited. The company was owned and controlled by A Green and E Arnett and family members. The aggregate consideration was £29,500 in cash.

At 2 April 2004 E Arnett owed Intellego £15,000 in respect of called up share capital not paid. This was received subsequent to the year-end.

21. ***Controlling Party***

The company was under the control of A Green and E Arnett through their holdings and those of family members.

22. ***Audit Opinion***

The financial statements of Intellego Systems Limited for the period ended 2 April 2004 were audited by Audit Assure, Chartered Accountants, The White Cottage, 19 West Street, Epsom, Surrey, KT18 7BS. The audit report was unqualified.

Yours faithfully

Audit Assure
Chartered Accountants

PART III

Section 3

Pro forma statement of net assets of the Group

Set out below is an unaudited pro forma statement of net assets of the Group which has been prepared on the basis of the notes set out below, to show the effects of the Acquisition and the Placing on the net assets of the Group. The pro forma statement of net assets is for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group following the Acquisition and Placing.

	Net assets of Holdings at 31 October 2004 £	Net assets of Intellego at 2 April 2004 £	Adjustments £	Pro forma Total £
Fixed assets				
Intangible assets	–	28,025	–	28,025
Tangible assets	–	26,457	–	26,457
Investment in subsidiary undertaking	99,998	–	(99,998)	–
	99,998	54,482	(99,998)	54,482
Current assets				
Stocks	–	3,500	–	3,500
Debtors	2	194,114	–	194,116
Cash at bank and in hand	–	19,030	500,000	519,030
	2	216,644	500,000	716,646
Creditors: amounts falling due within one year	–	(192,810)	–	(192,810)
Net current assets	2	23,834	500,000	523,836
Total assets less current liabilities	100,000	78,316	400,002	578,318
Creditors: amounts falling due after one year	–	(45,144)	–	(45,144)
Net assets	100,000	33,172	400,002	533,174

Notes to the pro forma statement of net assets

1. The net assets of Holdings have been extracted without adjustment from the Accountants' Report set out in Section 1 of Part III of this document.
2. The net assets of Intellego have been extracted without adjustment from the Accountants' Report set out in Section 2 of Part III of this document.
3. The adjustments reflect:
   (i) The estimated net proceeds of the Placing of £650,000 after deducting the expenses to be settled in cash (assuming full subscription under the Placing) of £150,000;
   (ii) The elimination of Holdings' investment in Intellego in preparing a pro forma statement of net assets for the Group.
4. The pro forma statement of net assets takes no account of the trading results of Intellego since 2nd April 2004. Holdings has never traded.

PART IV

ADDITIONAL INFORMATION

1. Intellego Holdings Plc ("the Company") and Share Capital

1.1 The Company was incorporated in England and Wales under the Act and registered in England and Wales on 23 August 2004 with registered number 5212388 as a public limited company.

1.2 The registered office of the Company is The White Cottage, 19 West Street, Epsom, Surrey KT18 7BS.

1.3 The liability of the Members of the Company is limited.

1.4 A trading certificate under section 117 of the Companies Act 1985 was issued on 22 October 2004.

1.5 The accounting reference date of the Company is 2 April.

1.6 At the date of incorporation the authorised share capital was £50,000 represented by 50,000 Ordinary Shares of £1 each.

1.7 On 15 October 2004 the authorised share capital was increased from £50,000 to £100,000 by the creation of 50,000 Ordinary Shares of £1 each ranking *pari passu* in all respects with the existing Ordinary Shares.

1.8 On 18 October 2004 as a result of the Acquisition Agreement between Holdings, Intellego, Edward Arnett, Andy Green and Brenda Green the issued share capital became 100,000 shares of £1 each. As a result of the Acquisition Agreement, which was conditional upon Admission, the issued shares in Holdings were held as to 50,000 shares by Edward Arnett, 30,100 shares by Brenda Green and 19,900 shares by Andy Green.

1.9 Pursuant to a Deed of Variation dated 9 December 2004 the Acquisition Agreement became unconditional and the transfer of the shares in Holdings to Edward Arnett, Brenda Green and Andrew Green was no longer conditional upon Admission.

1.10 On 10 December 2004, Brenda Green's shares in Holdings were transferred to Andy Green.

1.11 On 13 December 2004 the authorised share capital of Holdings was sub-divided into 100,000,000 shares of 0.5p each and the authorised share capital was increased to £500,000.

1.12 The authorised, issued and fully paid share capital of the Company as at [13] December 2004, being the latest practicable date before the publication of this document, was as follows:

	Authorised		Issued and fully paid	
	£	Number	£	Number
Ordinary Shares of 0.5 p each	500,000	100,000,000	100,000	20,000,000

1.13 The authorised, issued and fully paid share capital of the Company following the Admission will be as follows:

	Authorised		Issued and fully paid	
	£	Number	£	Number
Ordinary Shares of 0.5p each	500,000	100,000,000	176,500	35,300,000

1.14 The Directors are authorised in accordance with Section 80 of the Act to allot relevant securities as defined, for a period of 5 years from 13 December 2004.

1.15 Save as referred to in paragraph 4 below no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

2. Intellego Systems Limited ("Intellego")

2.1 Intellego was incorporated in England and Wales under the Act and registered in England and Wales on 13 December 2002 with registered number 4616937 as a limited company under the name Darkstream Limited.

2.2 At the date of its incorporation, the authorised share capital of Intellego was £1,000 represented by 1,000 Ordinary Shares of £1.

2.3 On 19 December 2002 the authorised share capital of Intellego of £1,000 was subdivided into 10,000 Ordinary Shares of £0.10 each.

2.4 On 19 December 2002 the authorised share capital of Intellego was increased from £1,000 to £125,000 by the creation of 1,240,000 Ordinary shares of £0.10 each ranking *pari passu* in all respects with the existing Ordinary Shares.

2.5 Following the issue of a total of 999,990 shares of £0.10 each on 10 January 2003 and 20 November 2003, the issued share capital of Intellego at that date was 100,000 shares of £0.10 each (the subscriber share of £1 which was subdivided into 10 shares of £0.10p each being held by Andy Green)

2.6 On 7 January 2003 Darkstream Limited changed its name to Intellego Systems Limited.

2.7 Pursuant to the Acquisition Agreement dated 18 October 2004, Edward Arnett, Andy Green and Brenda Green sold their 1,000,000 shares of £0.10p each in Intellego (held as to 500,000 shares by Edward Arnett, 300,100 shares by Brenda Green and 199,900 shares by Andy Green) in return for £99,998 worth of £1 shares in Holdings and Holdings became the sole shareholder of Intellego.

2.8 Intellego's principal objects and activities are to act as a general commercial company. The objects are set out in full in clause 3 of the Company's Memorandum of Association.

3. Directors and Interests

3.1 Other than a Directorship of Holdings, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

Name	Current	Previous
Michael Couzens	BI-Golf Limited	
Edward Arnett	Intellego Systems Limited Clarus Courseware Limited La Clinique (Thames Ditton) Limited	Exocom Limited InterQuad Group Limited InterQuad Learning Limited InterQuad Systems Limited INTS Holdings Limited Murray Limited Princeton Graphic Systems Limited
Andrew Green	Clarus Courseware Limited	Corporate Learning Limited Intellego Systems Limited
Christopher Saltrick	CSCS Nominees Limited Saltrick Consulting Limited Challenge Adventure Charities	
Angus Forrest	Billam Plc Billam Associates Limited World Life Sciences Limited Talisman Ventures Limited URCO Plc	Buckham Hill Meetings Limited Billam AG (Switzerland) Furrytails Limited Furrytails Promotions Limited Furrytails Plush Products Limited Furrytails Character Merchandising Limited Logistix Recruitment Limited Medi Info Net Limited Waterstone Glassware Limited

3.2 Save as described below none of the Directors has:

(i) any unspent convictions relating to indictable offences;

(ii) had a bankruptcy order made against him or entered into any individual voluntary arrangement;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;

(iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

(v) had any asset belonging to him placed in receivership or been a partner in a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

(vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Angus Forrest: Receiverships/Liquidation

(1) BMI Electronics Limited: Angus Forrest was appointed a director of the company on 2 December 1993 and resigned on 11 June 1999. Following the completion of a company voluntary arrangement ("CVA"), non preferential creditors received 70 pence in the £1.

(2) Café Poppy Plc: Angus Forrest was appointed a director of the company on 23 August 1993. Following a voluntary liquidation, the company was dissolved on 5 February 1997 with a deficit of approximately £91,749.

(3) Challenger Communications Limited: Angus Forrest was appointed a director of the company on 1 September 1992 and resigned his appointment on 14 July 1993. The company went into liquidation on 27 October 1993 with a deficit of approximately £100,000 and was dissolved on 22 August 1995.

(4) Kelways Nurseries Limited: Angus Forrest was appointed a director of the company on 6 April 1993. The company went into receivership on 24 November 1993 with a deficit of approximately £750,194 and was dissolved on 4 June 1996.

(5) Waterstone Glassware Limited: Angus Forrest was appointed a director of the company on 2 April March 1996. The company went into receivership on 2 February 2000 with a deficit of approximately £2,789,835.

(6) Medi Info Net Limited: Angus Forrest was appointed a director of the company on 18 June 2002 and resigned his appointment on 15 October 2002. The company went into liquidation on 19 June 2003 with a deficit of approximately £319,125.

3.3 No Director has or has had any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, Holdings or Intellego since the date of their incorporation or which is proposed to be so acquired, disposed of or leased save in respect of the Acquisition Agreement.

3.4 Save as disclosed in paragraph 10 below there is no contract or arrangement to which Holdings or Intellego is a party and in which any Director is materially interested and which is significant in relation to the business of either company, and no amount or benefit has been or is intended to be paid or given to any promoter of either company.

3.5 (i) The following persons have a holding of 3 per cent. or more in the share capital of Holdings at the date of this document:

Name of Shareholding	Number of Shares Held	Percentage of Issued Share Capital Held
Edward Arnett	10,000,000	50.0%
Andrew Green	10,000,000	50.0%

(ii) The following persons will have a holding of 3 per cent. or more in the share capital of Holdings immediately following Admission:

Name of Shareholding	Number of Shares Held	Percentage of Issued Share Capital Held
Edward Arnett	10,000,000	28.33%
Andrew Green	10,000,000	28.33%
Brewin Dolphin Securities	1,647,059	4.67%
Billam Plc	1,411,765	4.00%

3.6 Michael Couzens and Angus Forrest are placees of 235,294 and 470,588 Placing Shares respectively under the Placing and, in respect of this will each receive from Holdings 470,588 Warrants.

4. Share Option Schemes

Holdings intends to introduce a share option scheme in relation to Ordinary Shares on the following basis:

4.1 ***Potential Grantees***

(a) The grant of options to any individual under The Scheme is at the absolute discretion of the Remuneration Committee.

(b) Under the rules of The Scheme, an individual will only be granted options if he is a bona fide employee (including an executive director, but excluding any person who has more than a 20 per cent. interest in the Company including the interests of his associates) who works at least 25 hours per week for the Company (or, if less, at least 75 per cent. of his working time).

(c) The total market value (at the date of grant) of shares which are subject to unexercised options may not exceed £3,000,000 at the present time due to Inland Revenue restrictions. However, the Remuneration Committee has the power to relax those and other limitations presently imposed by the legislation relating to Enterprise Management Incentive Schemes in the event of any change in the law permitting this.

4.2 ***Life of The Scheme***

Options may be granted at any time in the five year period beginning with the date of the adoption of The Scheme provided that no grant may be made at any time if it would cause any participant to be in breach of the Model Code.

4.3 ***Individual Limits on Number of Options***

The grant of options is limited so that an individual will not be granted options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant when added to the total market value (at the date of grant) of Ordinary Shares under options already granted to him would exceed £100,000.

4.4 ***Aggregate Limits on Number of Options***

During the period of 10 years from the date of the adoption of the scheme, the maximum number of Ordinary Shares which may be issued on the exercise of options in total may not exceed 15 per cent. of the issued Ordinary Share capital of the Company for the time being.

4.5 ***Exercise Price***

The price at which options may be exercised will be set by the Remuneration Committee at the date of grant but will not be less than the nominal value of the shares.

4.6 ***Conditions of Exercise***

Objective conditions may be imposed by the Remuneration Committee to which the exercise of options will be subject.

4.7 ***Timing of Exercise***

Unless the Remuneration Committee specifies an earlier exercise date (and other than in the case of a take over or de-merger or similar event) an option will be exercisable by an option holder at any time between the third and tenth anniversary of the date of the grant. If the option holder leaves employment by reason of injury, disability, ill-health, redundancy or retirement an option may be exercised within 6 months of such event happening or, if the option holder has died, by his personal representatives within 12 months of his death. If an option holder leaves employment for any other reason, exercise of outstanding options is at the Remuneration Committee's discretion.

Any option not so exercised will lapse.

4.8 ***Status of Options***

Options are non-transferable. Ordinary Shares issued following exercise of any option will rank *pari passu* with Ordinary Shares then in issue, save as regards any rights attaching to Ordinary Shares by reference to a record date prior to the date of exercise of the option. Options may be exercised in whole or in part subject to any minimum number of options to exercised at any one time.

4.9 ***Adjustment of Options***

The Remuneration Committee may adjust (subject to confirmation in writing by the auditors for the time being that such an adjustment is fair and reasonable in their opinion) the number of shares under option and available for option and/or the option price to take account of any shares issued by the Company (other as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.

4.10 ***Adjustment of Scheme***

The Scheme may be amended by the Remuneration Committee but only to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or option holders.

The Scheme requires option holders to be responsible for any employer's national insurance contributions otherwise payable by Holdings on the grant and/or exercise and/or disposal of any options and to indemnify Holdings against any income tax due in such circumstances.

The Scheme rules make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of Holdings.

5. The Warrants

The principal terms of the Warrants are as follows:

(a) Number of Warrants – The Warrants are in respect of a total of 4,053,176 Ordinary Shares (representing 11.48 per cent. of the issued Ordinary Shares immediately after Admission) and are to be issued as follows:

Grantee	Number of Warrants	Exercise period
Beaumont Cornish	706,000	17.12.04 to 17.12.07
HB-corporate	706,000	17.12.04 to 17.12.07
Richard Adams	1,700,000	17.12.04 to 01.04.05
Michael Couzens	470,588	17.12.04 to 01.07.05
Angus Forrest	470,588	17.12.04 to 17.12.05

(b) Exercise price:

(i) In the case of Warrants issued to Beaumont Cornish, HB-corporate, Michael Couzens and Angus Forrest, the exercise price is the Placing Price.

(ii) In the case of Warrants issued to Mr R Adams the exercise price is 0.5p. These Warrants are issued in compensation of an earlier agreement to provide a warrant on 31 October 2003 to acquire 85,000 Ordinary Shares in Intellego at their nominal value. This earlier warrant was to be issued as part of Mr Adam's compensation plan upon joining Intellego as a full time employee in October 2003.

(c) Exercise and lapse:

(i) In the case of the Warrants issued to Beaumont Cornish, HB-corporate and Angus Forrest, the Warrants are exercisable between Admission and the third anniversary of the date of Admission, after which they will lapse if they have not been exercised; and

(ii) In the case of the Warrants issued to Michael Couzens, the Warrants are exercisable between Admission and 31 July 2005, after which they will lapse if they have not been exercised; and

(iii) In the case of the Warrants issued to Mr R Adams, the Warrants are exercisable between Admission and 1 April 2005, after which they will lapse if they have not been exercised.

6. Taxation

6.1 ***UK Taxation of Dividends***

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

6.1.1 *Individual and trustee shareholders*

6.1.1.1 An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the amount of the net dividend which is also equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the "gross dividend").

6.1.1.2 Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in 6.1.1.1 above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend. However, if an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim from the Inland Revenue repayment of the excess.

6.1.1.3 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts these trusts will be liable to income tax at 32.5 per cent. with a tax credit of 10 per cent. of the gross dividend. The tax credit is not repayable.

6.1.1.4 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust, will not be repaid.

6.1.2 *Corporate shareholders*

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on dividends received.

6.1.3 *Non-resident shareholders*

The amount of tax credit will mean that, in many cases, no amount in respect of the tax credit may be claimed under a relevant double taxation agreement.

6.2 ***Taxation on capital gains for shareholders***

If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

The Inland Revenue have confirmed that securities dealt with on AIM will not fall to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on this should consult an appropriate professional adviser.

6.3 ***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

6.3.1 Except as mentioned in sub-paragraph 6.3.4 below, no liability to stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company pursuant to the Placing.

6.3.2 The Company has undertaken in the Placing Agreement to bear the stamp duty or SDRT liability payable by the placees and sub-underwriters on the subscription for placing shares These arrangements do not apply to a charge to stamp duty or SDRT under sections 67, 70, 93 or 96 of the Finance Act 1986 (as referred to below). Each applicant will be required to give confirmation in his application that the increased rate stamp duty and SDRT charges do not apply to them.

6.3.3 Except as mentioned in sub-paragraph 6.3.4 below, the transfer on sale of the new Ordinary Shares, both before and after the issue of certificates, and the transfer on sale of existing Ordinary Shares will generally be liable to ad valorem stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value for the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the value is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

6.3.4 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

The above comments are intended as a general guide to the current tax position in the United Kingdom and Inland Revenue practice. They apply principally only to shareholders resident in the United Kingdom for tax purposes and who hold their ordinary shares as an investment. If you are not resident in the United Kingdom or are in any doubt as to your tax position, you should consult your own professional adviser.

7. Premises

The Company operates, and following Admission will continue to operate, from premises at Teddington Television Studios, Broom Road, Teddington, Middlesex TW11 9NT. These premises are occupied on licence outside the provisions of the Landlord and Tenant Act 1954. The current licence to occupy expires on 18 December 2004. The Directors expect that the current licence will be renewed at expiry and in the unlikely event that this is not the case alternative and suitable premises nearby can be secured on terms which would not be materially different from those currently enjoyed and without disruption to the business.

8. Memorandum and Articles of Association

8.1 The Memorandum of Association of Holdings provides that Holdings' objects are:

(a) to carry on within and without the United Kingdom the business of exporters, importers, manufacturers, agents, brokers, general merchant and dealers, both wholesale and retail in commodities of every description and all commercial goods, manufactured goods and all goods for personal and household use and consumption, ornament, recreation and amusement, and generally in all raw materials, manufactured goods, materials, provisions and general produce, and also the business of storage contractors, wharfingers, carriers, shipping and forwarding agents, warehousemen and store-keepers; and to carry on any other business which is calculated directly or indirectly to enhance the value of any of the Company's business, property, rights or assets; and to carry on the aforesaid businesses, either together as a single business or as separate and distinct businesses in any part of the world.

(b) to carry on the business of financial consultants, financiers and industrial bankers, capitalists, financial agents and advisors for commodities, goods, wares, vehicles, apparatus, machinery and articles of every description and in connection therewith or otherwise to loan and advance money to and to purchase accounts on behalf of such persons, firms or companies, concerned in any way whatever in the sale or purchase in manner aforesaid of the before mentioned articles or goods; to carry on the business of financing transactions and guaranteeing or giving security for the payment of money or the performance of any obligation or undertaking; to carry on the business of financiers, financial agents, bill discounters; company promoters, underwriters, and dealers in stocks, shares, loans, annuities and other securities, mortgage brokers and insurance agents.

(c) to carry on any other trade or business which can, in the opinion of the Board of Directors, be advantageously carried on by the Company.

The full objects of Holdings are set out in clause 4 of the Memorandum of Association which is available for inspection at the registered office of the Company.

8.2 The Articles of Association of Holdings which were adopted by special resolution on 13 December 2004 contain, *inter alia*, provisions to the following effect:

(a) *Share Capital*

The authorised share capital of the Company is £500,000 divided into 100,000,000 ordinary shares of 0.5 pence each.

(b) *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or in contemplation of a winding-up.

(c) *Redeemable Shares*

Subject to the provisions of the Statutes and of any resolution of the Company in general meeting passed in pursuance of such provisions, the Company may issue shares which are to be redeemed or liable to be redeemed at the option of the Company or the shareholder, and such shares shall be redeemed on such terms and in such manner as may from time to time be provided by these articles.

(d) *Transfer of Shares – Right to refuse to Transfer a Share*

The Board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any share which is not a fully paid share.

(e) *Other Rights to Decline Registration*

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

(i) the instrument of transfer:

(1) is in respect of only one class of share;

(2) is lodged at the Registered Office or such other place as the Board may appoint;

(3) is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(ii) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

(f) *Votes of Members*

Subject to any special rights or restrictions as to voting attached by or in accordance with the articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

(g) *Chairman's Casting Vote*

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

(h) *Directors*

Subject to the provisions of the articles, the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles.

Any provision of the Statutes which, subject to the provisions of these articles, would have the effect of rendering any person ineligible for appointment or election as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, shall not apply to the Company.

The directors shall not be subject to retirement by rotation.

No person other than a director retiring at the meeting shall, unless recommended by the Board for election as a director at any general meeting unless not fewer than seven nor more than 42 days (inclusive of the date on which notice is given) before the date appointed for the meeting there shall have been lodged at the Registered Office notice in writing signed by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to proposed such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

(i) *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(j) *Dividends*

Final Dividends

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

Interim Dividends

In so far as in the opinion of the Board, the profits of the Company justify such payments, the Board may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in respect of such periods as it thinks fit. Provided the directors act in good faith they shall not incur any laibility to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No Dividend Except out of Profits

No dividend shall be paid otherwise than out of profits available for distribution under the provision of the Statutes.

(k) *Winding Up*

If the Company shall be wound up (whether liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of an extraordinary resolution and subject to any provision sanctioned in accordance with the provisions of the Insolvency Act 1986, divide among the members *in specie* or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members.

(l) *Trading of Shares in CREST*

Where any class of shares is for the time being a participating security shares of that class may be issued in uncertificated form in accordance with and subject as provided in the Uncertificated Securities Regulations 1995.

9. Directors' Service Contracts

Save as disclosed below, there are no Directors' service contracts, or contracts in the nature of service with the Company, which are terminable on more than 12 months' notice nor on termination of which by the Company compensation will be payable.

The following Directors have entered into service agreements or letters of appointment, the principal terms of which are as follows:

Name	Initial Term	Notice Period	Salary £ pa
Michael Couzens	1 Year	12 months	£15,000
Edward Arnett	n/a	12 months	£60,000*
Andrew Green	n/a	12 months	£60,000*
Christopher Saltrick (contract for services)	1 Year	3 months	£12,000
Angus Forrest	1 Year	6 months	£12,000

* In addition to the salaries quoted above Mr Arnett and Mr Green will each also receive car allowances of £500 per month effective 1 October 2004.

In respect of Mr Arnett and Mr Green, it is intended that the Remuneration Committee will devise and agree with the Board a bonus scheme which could provide for the payment of up to 30 per cent. of salary subject to performance criteria based on sales growth and profitability targets.

The arrangements in respect of Messrs, Couzens, Forrest and Saltrick commence as from, and are conditional upon, Admission.

The Directors estimate that the emoluments payable to the Directors under the arrangements in force at the date of the document for the year ending 2 April 2005 will amount to approximately £137,000.

The Remuneration Committee believes that the Executive Directors have adopted a conservative approach to their remuneration at this early stage in the development of the Company. Over time and when appropriate, it is the intention of the Remuneration Committee to align the compensation plans of the Executive Directors more closely to market rates and make them commensurate with their experience and responsibilities. Notwithstanding this ambition, Mr Arnett and Mr Green have agreed that there will be no increase to their basic salaries until 1 April 2006, unless the Company achieves sales growth on a quarterly cumulative basis of at least 100 per cent. In any event, there will be no upward review of Executive Directors' basic salaries before 1 April 2005.

10. Material Contracts

The following contracts (being contracts otherwise than in the ordinary course of business) have been entered into by Holdings or Intellego (as the case may be) within a period of two years immediately preceding the date hereof or otherwise are relevant to the proposals contained herein and are (or may be) material.

10.1 ***The Acquisition of Rights from Clarus Courseware Limited***

In December 2003, Intellego purchased distribution rights and the related benefit of trade from Clarus Courseware Limited. The rights comprise a reseller agreement giving access to the courseware library of NETg, a leading international training materials provider. The final consideration paid to Clarus Courseware Limited was £29,500. Clarus Courseware Limited was at the time of the transaction owned by Edward Arnett, Andy Green and family members. Following completion of this transaction Clarus Courseware Limited has ceased its trading activities in the workforce training market.

A deed of assignment dated 1 April 2004 was entered into between Thomson NETG Limited, Clarus Courseware Limited and Intellego pursuant to which the reseller agreement was assigned to Intellego.

10.2 ***The Placing Agreement***

A placing agreement dated 13 December 2004 between Holdings (1), the Directors (2) and HB-corporate (3) under which it was agreed (subject to Admission and to certain conditions therein mentioned) *inter alia*:

(a) HB-corporate would, as agent for Holdings, use reasonable endeavours to procure subscriptions for 15,300,000 ordinary shares in respect of the Placing at the Placing Price.

(b) HB-corporate would receive a commission of 5 per cent. of the aggregate value of shares placed by them pursuant to the Placing plus a fee of £15,000 upon Admission.

(c) HB-corporate would be issued with 706,000 Warrants; and

(d) Holdings and E. Arnett and A. Green would give warranties and indemnities to HB-corporate with regard to, *inter alia*, representations concerning Holdings and Intellego and the accuracy of this document.

10.3 ***The Factoring Agreement***

An agreement dated 15 October 2003 between Lloyds TSB Commercial Finance Limited ("Lloyds TSB") (1) and Intellego (2) under which it was agreed that:

(a) Intellego would assign all its invoices to Lloyds TSB.

(b) Lloyds TSB would advance to Intellego up to 75 per cent. of the gross value of approved invoices upon assignment.

10.4 ***The Reseller Agreement***

An agreement dated 1st July 2004 between XStream Software Inc (1) and Intellego (2) under which it was agreed that XStream Software would grant to Intellego the exclusive rights to market and distribute certain proprietary products of XStream in the United Kingdom and Ireland for two years from the effective date of 1 July 2004. The agreement also provides an automatic renewal for an additional one year term after the period of two years based on the mutual satisfaction of performance by the parties. Either party has the right to terminate the agreement on 30 days prior written notice to the other party for cause. Pursuant to the agreement, Intellego agreed not to distribute during the term of the agreement any products of a directly or indirectly competitive nature to XStream's products, with the determination of what constitutes a directly or indirectly competitive product to be made by XStream acting reasonably.

10.5 ***Warrant Instruments***

By instruments adopted by Holdings on 13 December 2004 warrants were granted to Beaumont Cornish, HB-corporate, Michael Couzens, Angus Forrest and Richard Adams to subscribe for 706,000, 706,000, 470,588, 470,588 and 1,700,000 Ordinary Shares respectively. All warrants except Richard Adams are at a subscription price of 4.25p. Richard Adams warrant is at a subscription price of 0.5p. The exercise periods for the warrants are as follows:

(i) Beaumont Cornish, HB-corporate and Angus Forrest for the period starting on Admission and ending on the third anniversary thereof;

(ii) Michael Couzens for the period ending 31 July 2005; and

(iii) Richard Adams for the period ending 1 April 2005.

The warranties are exercisable by written notice to the Company. If the warrants are not exercised before the end of the respective exercise periods they will lapse. In respect of any warrantholders who are directors or employees of Holdings, their warrants will lapse upon termination of their directorship or employment if they have not been exercised by that time.

10.6 ***Nominated Adviser Agreement***

A Nominated Adviser Agreement (the "Agreement") dated 13 December 2004 between Beaumont Cornish, Holdings and the Directors pursuant to which the Company confirmed the appointment of Beaumont Cornish as its nominated adviser for a minimum period of 12 months from the date of the Agreement. Holdings is required to pay Beaumont Cornish a retainer fee of £15,000 per annum plus VAT payable half yearly in advance. On the first anniversary of the Admission the annual retainer fees will increase to £20,000 plus VAT payable half yearly in advance. In consideration of Beaumont Cornish entering into the Agreement Holdings and the Directors jointly and severally represented and warranted to Beaumont Cornish as set out in Schedule 1 of the Agreement.

10.7 ***Nominated Adviser Engagement Letter***

An engagement letter dated 23 November 2004 between Beaumont Cornish (1) and Holdings (2) under which Beaumont Cornish was appointed as Nominated Adviser to Holdings for the purposes of the Placing and admission to AIM. The appointment may be terminated by either party on the terms set out in the engagement letter. Holdings will pay Beaumont Cornish on instruction a non-refundable fee of £10,000, on publication of this document a fee of £10,000, on Admission a fee of £15,000 together with warrants to subscribe at the Placing Price for a number of ordinary shares equal to 2 per cent. of the issued shares following Admission exercisable at any time within a period of three years from the date of issue.

10.8 ***Broker Agreement***

An engagement letter dated 23 November 2004 between HB-corporate (1) and Holdings (2) under which Hoodless Brennan was appointed as Broker to Holdings for the purposes of the Placing and admission to AIM. The appointment may be terminated by either party on the terms set out in the engagement letter. Holdings will pay Hoodless Brennan, on Admission a fee of £15,000 together with warrants to subscribe at the Placing Price for a number of ordinary shares equal to 2 per cent. of the issued shares following Admission exercisable at any time within a period of three years from the date of issue, and a commission of 5 per cent. of the shares placed pursuant to the Placing Agreement. The Company agrees to pay a reviewable annual retainer of £12,000 per annum.

10.9 ***Small Firms Loan Agreement***

An agreement dated 15 December 2003 between Lloyds TSB Bank plc ("Lloyds") (1) and Intellego (2) under which Lloyds agreed to lend the sum of £50,500 to Intellego subject to the following terms and conditions:

(a) period of loan – 84 months

(b) interest rate – 3.5% above Lloyds base rate

10.10 ***Acquisition Agreement and Deed of Variation***

An agreement dated 18 October 2004 between Intellego, Holdings, Edward Arnett, Andrew Green and Brenda Green pursuant to which Holdings has conditionally agreed to acquire all the issued share capital of Intellego from Edward Arnett, Andrew Green and Brenda Green for £100,000 which will be paid in full by the issue of Placing Shares to Edward Arnett, Andrew Green and Brenda Green.

By a Deed of Variation dated 9 December 2004, Intellego, Holdings, Edward Arnett, Andrew Green and Brenda Green have now agreed that the transfer of the shares in Holdings and Intellego pursuant to the Acquisition Agreement is unconditional.

10.11 ***Lock In Deeds***

Dated 13 December 2004 between the Company and each of Edward Arnett, Andrew Graham, Michael Couzens, Chris Saltrick, Angus Forrest and Richard Adams whereby each shareholder undertakes with the Company, Beaumont Cornish and HB-corporate that they will not transfer, grant any option over or charge any of the shares to be held by them until two years, and in the case of Angus Forrest one year, after Admission save in the event of an intervening court order, a takeover relating to the Ordinary Shares, execution of an irrevocable commitment to accept a general offer relating to the Ordinary Shares or on death of the shareholder.

10.12 Save as disclosed above, there are no contracts (not being in the ordinary course of business) entered into by Holdings or Intellego since incorporation which are or may be material.

11. Charges

Intellego is subject to the following charges:

(a) An all assets debenture held by Lloyds TSB Commercial Finance Limited trading as Alex Lawrie Factors created on 15 October 2003 securing all monies due or to become due from Intellego to Alex Laurie Factors under the terms of the debenture. Short particulars of which is fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

(b) A debenture created on 23 December 2003 held by Lloyds TSB Bank plc ("Lloyds") in respect of all monies due on any account whatsoever to Lloyds securing all monies due or to become due from Intellego to Lloyds on any account whatsoever. Short particulars of which are fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

The debentures referred to above are subject to a Deed of Priorities between Lloyds TSB Commercial Finance Limited (1) Lloyds (2) and Intellego (3) (the "Deed") which provides as follows:

(a) Lloyds TSB Commercial Finance Limited's Fixed Charge on Non-Vesting Debts (as the same is defined in the Deed) shall rank in priority to Lloyds Fixed Charge on Non-Vesting Debts (as the same is defined in the Deed) without limit; and

(b) the fixed and floating charges on the Other Assets (as the same are defined in the Deed) created by Lloyds security shall rank in priority to the fixed and floating charges on the Other Assets (as the same are defined in the Deed) created by Lloyds TSB Commercial Finance Limited without limit.

12. Litigation

Neither Holdings nor Intellego has engaged in, or is currently engaged in any legal or arbitration proceedings, or, so far as the Directors are aware, are any such proceedings pending or threatened by or against Holdings or Intellego.

13. Working Capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing, that the working capital available to the Group as at Admission will be sufficient for its present requirements, that is for at least 12 months from the date of Admission

14. General Information

The total cash expenses payable in connection with the Placing and Admission are expected to amount to approximately £150,000 (exclusive of any applicable VAT) which are payable by the Company. The net proceeds of the placing are therefore expected to be approximately £500,000.

Beaumont Cornish has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which it appears.

HB-corporate has given and not withdrawn its written consent to the issue of this document with the inclusion therein of the references to its name in the form and context in which it appears.

Audit Assure has given and not withdrawn its written consent to the issue of this document and references herein to its reports (for which it takes responsibility accordingly) and name in the form and context in which it appears for the purposes of paragraphs 45(2)(b)(iii) and 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

The financial information contained in this document does not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985. Financial statements for Intellego for the period ended 2 April 2004 have been reported on by its auditors, Audit Assure, under section 235 of the Act, and have been delivered to the registrar of companies. The audit report was unqualified.

The period within which placing participations may be accepted pursuant to the Placing and arrangements for the payment and holding of subscription monies pending Admission are set out in the Placing Agreement and in the Placing Letters sent to prospective placees.

The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. All the Placing Shares have been conditionally placed. The Placing is not being guaranteed or underwritten by any person.

The Placing Price represents are premium of 3.75p over the nominal value of 0.5p per Ordinary Share.

Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's recent activities.

Save as disclosed in this document, there are no investments in progress which are significant.

Save as disclosed in this document there are no patents or other intellectual property rights, licences or contracts which are required to carry on the Company's business.

The Company does not have any interest in any property or liability in relation to any property.

None of the Directors, or any members of their families, has a related financial product referenced to the Ordinary Shares.

Save as disclosed in this document and for the advisers named on page 3 of this document, no person has received directly or indirectly from the Company in the last 12 months preceding the date of this document or is contractually entitled to receive directly or indirectly from the Company on or after admission any fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit to a value of £10,000 or more at the date of Admission.

The minimum amount of £650,250 which in the opinion of the Directors must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of the POS Regulations is as follows:

(i) Commissions £32,500;

(ii) Repayment of borrowings £15,000; and

(iii) Working capital £602,750.

Note: The repayment of borrowings relates to a temporary loan of £15,000 owed to Mr A. Green, a Director.

Save as disclosed in paragraph 6 of Part I of this document, there has been no significant change in the financial or trading position of the Holdings or Intellego since the dates to which the financial information contained in Part III of this document was drawn up.

15. Documents Available for Inspection

Copies of the following documents will be available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) for a period of 14 days from the date hereof, free of charge, at the registered office of the Company and at the offices of Quastels Avery Midgen, 74 Wimpole Street, London W1G 9RR:

(a) the Memorandum and Articles of the Company;

(b) the material contracts referred to at paragraph 10 above;

(c) the Accountants' Reports set out in Part III of this document;

(d) the letters of consent referred to in paragraph 14 above;

(e) this document

16. Availability of this Document

Copies of this document will be available free of charge to the public during normal business hours on any week day (excluding public holidays) at the office of Beaumont Cornish, Georgian House, 63 Coleman Street, London EC2R 5BB, and the Company's registered office from the date of this document until the thirtieth day after Admission of the Ordinary Shares to trading on AIM.

13 December 2004

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